



**Economics Research Associates**

**ECONOMIC DEVELOPMENT STRATEGY  
FOR THE CITY OF MESA, ARIZONA**

**PREPARED FOR  
THE CITY OF MESA, ARIZONA**

**MAY 10, 2002**

**ERA PROJECT NO. 13766**

# TABLE OF CONTENTS

<u>Section</u>		<u>Page</u>
I	“MESA 2025” – A SHARED VISION”: ECONOMIC DEVELOPMENT CONTEXT .....	I- 1
	Introduction.....	I- 1
	Purpose of the Economic Development Strategy .....	I- 2
	Long-Term Land-Use Planning Contest.....	I- 3
	Economic Development Strategy Framework .....	I- 5
II	COMPETITIVE POSITION OF THE CITY AND THE REGION	II- 1
	Scale of the City .....	II- 1
	Population and Employment.....	II- 1
	Income and Housing Affordability .....	II- 3
	Shifting Demographics .....	II- 4
	Quality of Public Schools .....	II- 5
	Ability to Accommodate Growth.....	II- 6
	Mesa in the Context of the Regional Economy .....	II- 8
	Employment Centers and Economic Hubs .....	II-10
	Mesa Citizen ‘Attitude Survey’ .....	II-15
	Other Strengths .....	II-16
III	EVOLUTION OF ECONOMIC ACTIVITIES: ONGOING AND ANTICIPATED .....	III- 1
	The Evolving ‘Education Cluster’ .....	III- 1
	Air Services Capture at Williams Gateway .....	III- 3
	Regional Light Rail Transit Access in the Context of Mesa	III- 3
	Recreation and Cultural Amenities.....	III- 5
	Evolving Hosting Capacities .....	III- 6
	Mesa-Pinal County Water Farm Asset .....	III- 9
	Fiscal Futures of Community and Economic Development	III-10
	Other Ongoing and Anticipated Economic Activities .....	III-11
IV	STRATEGIES FOR THE CITY OF MESA.....	IV- 1

## TABLE OF CONTENTS (Continued)

<u>Section</u>		<u>Page</u>
V	AN ENHANCED IMAGE OF THE CITY (PERCEPTIONS AND FUTURE VISION) .....	V- 1
	Contemporary Conditions and Perceptions .....	V- 1
	Opportunities to Improve.....	V- 1
	Future Vision .....	V- 2
VI	PROGRAM INITIATIVES AND RECOMMENDATIONS .....	VI- 1
	Broad Program Initiatives.....	VI- 1
	Organizations and Implementation Scenario of Select Programs .....	VI- 6
VII	ORGANIZATION, MANAGEMENT AND PERFORMANCE MEASURES .....	VII- 1
	Economic Development “Portfolios” .....	VII- 1
	Definition and Initiation of Employment Center Hierarchies .....	VII- 4
	Initiation of Business and Industry Clusters .....	VII- 4
	Retail Capture Futures .....	VII- 6
	Other Organizational Initiatives.....	VII- 7
	Economic Development Performance Measures .....	VII- 7
	APPENDIX A.....	A- 1

## LIST OF TABLES

<u>Number</u>		<u>Page</u>
III- 1	MESA AS AN EDUCATION CLUSTER .....	III- 2
III- 2	PHOENIX METRO AREA PREMIER VENUES .....	III- 6
III- 3	VISITOR CHARACTERISTICS METRO PHOENIX VS MESA	III- 7
III- 4	MESA SEASONAL VISITORS .....	III- 8
III- 5	MESA HOTEL/MOTEL ROOM INVENTORY .....	III- 8
III- 6	MESA HOTEL/MOTEL AVERAGE DAILY RATES .....	III- 9
III- 7	MESA HOTEL/MOTEL OCCUPANCY .....	III- 9
VII- 1	AN EXAMPLE PORTFOLIO.....	VII- 3

## LIST OF FIGURES

<u>Number</u>		<u>Page</u>
II- 1	MESA EMPLOYMENT CENTERS AND CORRIDORS .....	II-11
II- 2	MESA ECONOMIC ACTIVITY HUBS .....	II-15

## **Section I**

### **“MESA 2025 - A SHARED VISION” Economic Development Context**

#### **INTRODUCTION**

The outcome of the “Mesa 2025 – A Shared Vision” planning process is intended to provide the framework for Mesa’s future, encompassing all spheres of development – Physical and Economic. Not only will this framework be an expression of community goals and priorities, and a decision making guide, but it will also fulfill the legal requirement mandated by Arizona state law for each City to adopt a long range comprehensive general plan to guide physical development over the next 20-25 years. The process of formulating this framework involves the bringing together of inputs from various stakeholders, including community members, business groups, institutions, and City elected officials, and administrators. To a large extent this was made possible by the guidance and inputs provided by the Joint Master Planning Committee (JMPC), the Economic Development Subcommittee (of JMPC), Public Open Houses, and consultations with the City Staff.

A final draft of the General Plan was prepared by deciding on a preferred long-range development scenario for the City. The General Plan will go before the voters in November, 2002. The plan includes 12 functional sections or ‘elements’ forming a comprehensive framework. These elements are:

1. Land Use
2. Transportation
3. Economic Development
4. Growth Areas
5. Revitalization and Redevelopment
6. Housing
7. Public Facilities, Buildings, and Services
8. Parks, Recreation, and Open Space
9. Environmental Planning/Conservation

10. Water Resources
11. Cost of Development
12. Safety

In the context of Economic Development, the first step of the “Mesa 2025 – A Shared Vision” planning process examined the existing conditions in the City and the region, and identified specific issues/needs currently facing the City – an ‘Economic Base Analysis’. An understanding of the current path of growth and issues/needs led to the definition of a distinct Economic Development Vision. Further, a set of Economic Development goals, objectives, and policies were defined, which were aimed at the resolution of the identified issues/needs as well as connection to the overall Economic Development Vision. This formed the Economic Development Element of the General Plan. As a part of this first step, ERA also performed a detailed Fiscal Analysis of the City’s revenue and expenditure sources. The analysis revealed the need to re-examine the City’s current fiscal revenue sources in view of the potential long-term fiscal imbalances that may arise from the scale of oncoming growth and the demand for quality infrastructure and services.

The second step of this planning process includes the formulation of three separate Strategic Plans in addition to the General Plan, that include:

- The Transportation Plan
- The Parks and Recreation Plan, and
- The Economic Development Plan/Strategy

These individual plans will complement the General Plan by providing specific direction on the three very important aspects of long term development. It is appropriate to note that each of the above mentioned plans will have to be compatible with each other not only in terms of the visioning process, but also in terms of implementation strategies.

### **PURPOSE OF THE ECONOMIC DEVELOPMENT STRATEGY**

The primary objective of the Economic Development Strategy is that it becomes the umbrella for citywide economic development policies, objectives, initiatives, and implementation activities. In addition, the economic development details of the General

Plan, Transportation Plan, and the Parks and Recreation Plans are coordinated by the strategy.

### **LONG-TERM LAND-USE PLANNING CONTEXT**

In view of any General Planning process, the market demand analysis is not always intended to be a prescriptive document which would guide the General Plan towards the selection of one particular mix of land uses over another, but rather sets out to identify the current factors of demand that are present in the market for the City of Mesa and the Phoenix-Mesa metro area as a whole.

We often try to identify this market demand on the basis of the highest and best economic use of the parcels that are available for development within the City. This takes the perspective of a private landowner by asking the question: "What is the most economically efficient and productive use of a given parcel within the City?" However, the public planning process does not necessarily require that the highest and best economic use on a specific land-use allocation basis, be what is eventually incorporated into the general plan.

There may be legitimate community planning reasons why one category of uses is preferred over another. These reasons may include aesthetics, community character, trip generation, or identified deficit of a certain service or land use category that is needed in the community – all of which can be addressed through the General Plan process. However, there are consequences to selecting less than optimal (from a solely market perspective) permitted land uses.

The effects of making a less than maximally economically efficient distribution of land uses fall primarily into two categories: (1) fiscal and (2) timing of development. In the first case, by choosing a lower valued land use, any development that takes place is more likely to have a resultant lower fiscal output (without necessarily lowering associated fiscal costs). That lower output will result in less revenue (in terms of taxes and retail expenditure) to the City of Mesa's General Fund. This in turn would have the effect of reducing the amount of revenue that would be available to be directed towards infrastructure improvements and other capital investments that would support the implementation of the overall vision contained within the General Plan.



An example of the second consequence, timing of development, is that while the community may have a specific outcome in mind, if market conditions are not in line with that vision, land may remain underutilized or vacant until market conditions change. There may be certain strategic parcels, such as those with access to the new freeway extensions or the Williams Gateway Airport, that may be appropriate to hold in reserve until a development that meets community goals for economic development and employment generation becomes feasible on that site.

The underlying issue contained within the economic development planning process, is the notion of land value. Land value is determined by three major factors:

1. *Location*-- Where a specific parcel or piece of land is sited.
2. *Infrastructure and neighboring land uses*-- The presence of complementary or compatible land uses nearby, along with appropriate supporting infrastructure that either supports or prevents certain economic activities from taking place.
3. *Entitlements*-- The legal restrictions on what can be built on a given parcel, zoning, and development standards. It is through the General Plan process that the entitlements will be established. It will therefore determine one of the critical components of the ultimate land value and therefore the ultimate disposition of land.

As the City matures, there might be some significant constraints that limit the ability to alter the trajectory of development; i.e., available parcels for development will likely need some reconfiguration or redevelopment of capital stock (including infrastructure, topography, orientation to access, etc.). There is however, a very significant amount of undeveloped or vacant land currently within the City of Mesa. All of the parcels that are in a sense "in play" might change over the life of a General Plan and will require some kind of reuse or adaptation of buildings or clearance and demolition, where the economics of redevelopment and of infrastructure investment make sense.

It is important to realize that in preparing this strategy plan, the City has been looking at a broader market area than just the Municipal Planning Area (MPA) boundaries of the City of Mesa. The districts that comprise the plan area are complicated in shape and have interactions with adjacent and other neighboring land uses. Mesa should be the core of the East Valley, and as the eastern growth pole of Maricopa County, it should be the employment opportunity magnet for Pinal County. More importantly, no market analysis can

take place in a vacuum which only considers conditions within the district without the context of the broader economy. In this process, Mesa's economic development leadership will be looking at how the City of Mesa fits in with market conditions in the broader area of the evolving Phoenix-Mesa market. It is with this perspective that the strategic planning initiatives are defined for the City of Mesa.

## **ECONOMIC DEVELOPMENT STRATEGY FRAMEWORK**

Based on the Economic Base Analysis, the Economic Development Element of the General Plan, and the Fiscal Analysis, 7 key components have been enumerated, that can be expanded and consolidated to form the comprehensive Economic Development Strategy. These components are as follows:

1. Competitive Position of the City and the Region
2. Evolution of Economic Activities (ongoing and anticipated)
3. Strategies for the City of Mesa
4. Deliberate Projection of an Enhanced Image of the City (perceptions and future vision)
5. Program Initiatives and Recommendations
6. Organization and Management
7. Economic Development Performance Measures

The strategy is developed by focusing on each of the above components. The following sections will identify pertinent issues related to each individual component and suggest near-term and long-term strategic initiatives that capitalize on the City's existing strengths and meet the oncoming challenges, to fulfill the City's larger Economic Development Vision – *“To be a city that raises the standard of living and quality of life for its residents as a result of actions by business, government, and the community that attract, retain, and sustain dynamic enterprises.”*

## **Section II**

### **COMPETITIVE POSITION OF THE CITY AND THE REGION**

#### **SCALE OF THE CITY**

Mesa is a city of immense scale. It is the 43<sup>rd</sup> largest city in the nation and second largest in the Phoenix-Mesa metropolitan area. The incorporated City presently encompasses a total of approximately 128 square miles, while the larger Mesa Planning Area encompasses approximately 170 square miles. In other words, Mesa may grow by more than 40 square miles. In terms of relative size, the Mesa Planning area is more than 3.5 times the land area in San Francisco or Boston. In fact just the undeveloped portion of the City of Mesa is close to 85 percent of the entire land area of the City of San Francisco. The Mesa Planning Area (MPA) is about the size of the San Fernando Valley in Southern California.

#### **POPULATION AND EMPLOYMENT**

As per the 2000 U.S. census, Mesa's population is 396,375 persons and the City has 146,643 households. During the past decade Mesa's population grew by approximately 38 percent with a compounded annual growth of 3.2 percent. This is phenomenal compared to the national overall growth of 13 percent and compounded annual growth of 1.2 percent during the same period. Mesa added more than 35,200 housing units during this period with its average household size increasing from 2.05 persons in 1990 to 2.68 persons in 2000. Estimates of employment and of establishments in 1999/2000 identified Mesa as having:

- 155,167+ jobs in the City
- 11,741+ establishments (places of employment)

*(This data defined only the jobs and places within the City Boundaries)*

Current estimates show that Mesa's employment base is largely composed of Service based industries (including education and health), followed by retail trade. These two employment groups comprise more than 60 percent of total citywide employment. Following is the distribution of the top 5 employment categories in the City of Mesa (year 2000 estimates)

• Services	34.7%
• Retail	25.5%
• Wholesale	9.4%
• Manufacturing	8.3%
• Construction	<u>7.7%</u>
• Total of Above	85.5%

Table II-1 below demonstrates the anticipated growth trend in the Mesa MPA, from contemporary conditions up to buildout (20 to 40 years) as per the preferred General Plan alternative:

**Table II-1 - Mesa: Population, Housing and Employment Growth**

	1990 <sup>1</sup>	2000	Buildout <sup>2</sup>
Population (City)	288,104	396,375	
Population (MPA)		425,238	636,252
Housing Units	140,468	175,701	234,326
Households <sup>3</sup>	107,863	146,643	195,572
Employment (MPA) <sup>4</sup>	83,550	155,167	358,365
Jobs/Capita	0.29 <sup>5</sup>	0.36	0.56
Jobs/Household	0.77	1.06	1.83
<b>Net Changes at Buildout in Mesa MPA (2000-Buildout)</b>			
Population	<b>211,014</b>	50%	
Households	<b>48,929</b>	33%	
Employment	<b>203,198</b>	131%	

<sup>1</sup> Includes City Boundaries Only

<sup>2</sup> Includes MPA Boundaries Only

<sup>3</sup> Households at buildout are based on estimates

<sup>4</sup> 2000 employment estimates are based on secondary data provided by CLARITAS

<sup>5</sup> As per the 1996 General Plan estimates

Source: U.S. Census, Mesa General Plan (Draft), CLARITAS, Economics Research Associates

## **INCOME AND HOUSING AFFORDABILITY**

An interim census carried out by the Maricopa Association of Governments in 1995 found the median household income in Mesa to be \$33,676, as shown in Table II-2. This is approximately 5.8 percent lower than the countywide average in 1995. Gilbert, Scottsdale and Chandler boast some of the highest median household incomes in the East Valley. Mesa also exhibited the lowest income growth during the 1990-95 period among the East Valley communities. A concentration of retirees and lower wage service workers in Mesa's resident population is one of the primary factors behind this relatively low resident income profile.

**Table II-2 - East Valley Cities: Median Household Incomes**

	1990	1995	% Change
Maricopa County	\$30,797	\$35,623	16%
Mesa	\$30,273	\$33,676	11%
Chandler	\$38,124	\$46,096	21%
Phoenix	\$29,291	\$32,950	12%
Scottsdale	\$39,037	\$48,319	24%
Tempe	\$31,885	\$36,049	13%
Gilbert	\$41,081	\$51,660	26%

Source: MAG census 1995 and the US Census 1990

Table II-3 presents year 2000 median housing values in the leading East Valley communities. New home prices in Mesa are one of the lowest among the selected communities at approximately \$134,000. New home prices in Chandler, Gilbert and Tempe range from approximately \$150,000 to \$190,000. As expected home prices in Scottsdale are significantly higher, in the \$360,000 range. These home values often present Mesa as an 'affordable' community in the region, compared to Gilbert, Chandler or Scottsdale that are considered 'move-up' communities.

**Table II-3 East Valley Cities: Median Home Sale Price (2000)**

City	New Homes	Resale
Mesa	\$133,731	\$112,500
Chandler	\$189,800	\$139,956
Scottsdale	\$362,280	\$250,000
Tempe	\$149,650	\$110,000
Gilbert	\$150,250	\$123,000

Source: Greater Phoenix Economic Council (GPEC)

## **SHIFTING DEMOGRAPHICS**

Mesa's population composition has experienced significant shifts. As shown in the following Tables II-4 and II-5, the share of Hispanic/Latino population has grown almost twofold during the last decade. Approximately 20 percent of Mesa's current residents are of Hispanic origin. It is widely accepted that this will continue as a regional trend. However, this trend will be more pronounced in the case of Mesa due to greater residential growth potentials, residential turnover potentials (from seasonal to year round), and job opportunities. A large proportion of Hispanic population growth is most likely to include younger families with school going children, and over a 25-40 year period they will have to be trained and given the skills to be a productive part of the new labor force and employment base.

**Table II-4 - Mesa: Race and Ethnicity (Year 2000)**

	<b>Total</b>	<b>Percent of Total</b>
Total Population	396,375	100.0%
White	323,655	81.7%
Black	9,977	2.5%
American Indian and Alaska Native	6,572	1.7%
Asian	5,917	1.5%
Native Hawaiian and Other Pacific Islander	932	0.2%
Some other race	38,271	9.7%
Two or more races	11,051	2.8%
<i>Hispanic or Latino (of any race)</i>	<i>78,281</i>	<i>19.7%</i>

Source: 2000 U.S. Census and ERA

**Table II-5 – Maricopa County: Hispanic/Latino Population Shares**

	<b>1990</b>			<b>2000</b>		
	<b>Total Pop.</b>	<b>Hispanic/ Latino</b>	<b>Share</b>	<b>Total Pop.</b>	<b>Hispanic/ Latino</b>	<b>Share</b>
Maricopa County	2,122,101	345,498	16.3%	3,072,149	763,341	24.8%
<b><i>Mesa</i></b>	<b><i>288,104</i></b>	<b><i>31,357</i></b>	<b><i>10.9%</i></b>	<b><i>396,375</i></b>	<b><i>78,281</i></b>	<b><i>19.7%</i></b>
Chandler	90,533	15,642	17.3%	176,581	37,059	21.0%
Phoenix	983,403	197,103	20.0%	1,321,045	449,972	34.1%
Scottsdale	130,069	6,203	4.8%	202,705	14,111	7.0%
Tempe	141,865	15,430	10.9%	158,625	28,473	17.9%
Gilbert	29,188	3,382	11.6%	109,697	13,026	11.9%

Source: 2000 U.S. Census and ERA

## **QUALITY OF PUBLIC SCHOOLS**

Mesa has an established reputation of a high quality public school system (Gilbert, Higley, Mesa, Queen Creek and Tempe). The state of Arizona, however, has experienced an unfavorable reputation in public school quality. This has been one of the major challenges for the region in terms of attracting a young and high-quality labor force. *Education Week* magazine's year 2000 national survey rated Arizona public schools last in terms of 'Resources' among all fifty states. The magazine gave Arizona a B+ in 'Standards and Accountability' and a D- in both "School Climate" and "Improving Teacher Quality". Clearly availability of funds and overcrowded schools have been two of the greatest challenges faced by the State's schools. This ties in well with some of the findings of the Morrison Institute's 'Five Shoes...' report in 2001, which states that a re-evaluation the State's fiscal policies are imperative with respect to long term economic sustainability.

Mesa's schools on the other hand have performed relatively well within the constraints. This asset, however, needs to be continually refocused and upgraded. Table II-6 shows the ranking of school districts in the Phoenix-Mesa metro area as per *Expansion Management Magazine*. Mesa ranks fairly high in the 'community index' (CI), but has a 'graduate outcome' (GO) index lower than Scottsdale. The CI index has negligible weight in the overall calculations as it merely reflects the economic and educational background of the adult population of the community. The GO index on the other hand carries a significant weight in the final calculations as it measures the 'final output' of the district in terms of college board results, graduation rates etc. It is not surprising to see that all of the following school districts have a very low 'resource' index. Mesa's overall 'Education Quotient', however, fell from year 2000 levels.

**Table II-6 - Mesa Schools Ranking (2001)**

	<i>Education Quotient (EQ)</i>	<i>Graduate Outcome (GO)</i>	<i>Resource Index (RI)</i>	<i>Community Index (CI)</i>
Scottsdale	122	137	67	106
<b>Mesa</b>	<b>115</b>	<b>121</b>	<b>80</b>	<b>138</b>
Gilbert	105	116	53	130
Paradise Valley	103	115	55	106
Tempe	102	108	66	129
Chandler	97	103	58	135
Glendale	83	82	74	114

Note:

EQ score is composed of three major indices: the Graduate Outcome (GO), the Resource Index (RI), and the Community Index (CI). A score of 100 is considered average.

**The Graduate Outcome** measures the final output of a district's schools, and includes college board results and graduation rates. This is the most important, as well as the most heavily weighted, factor in the final calculations.

**The Resource Index** measures a community's financial commitment to public education and includes things such as teachers' salaries, student-teacher ratios and per pupil expenditures. It has a lesser weight in the final calculations.

**The Community Index**, which measures the economic and educational background of the adult population, has negligible weight in the final calculations. It is used as a benchmark for site selectors and other people engaged in evaluating a work force.

Source: Expansion Management Magazine and Economics Research Associates

## **ABILITY TO ACCOMMODATE GROWTH**

A recent paper published in June 2001 by the Fannie Mae Foundation ranked Mesa as the largest fast-growing suburban City<sup>1</sup> in the United States. There are a number of advantages in being a large rapid growth community, including:

- 'Economies of scale' issues. Larger Cities are better equipped to handle larger projects/endeavors that can serve both the local as well regional needs (for example cultural and recreational projects can serve and draw from the larger regional market)
- The capacity to grow (not being "built out") is a significant opportunity.

<sup>1</sup> Large fast-growing cities were defined by the Fannie Mae Foundation as places with more than 100,000 residents that are not the largest city in their metropolitan areas and have maintained double-digit population growth rates in recent decades.



- Large resident market to support local retail and services.
- Better equipped to handle expansions in utilities needs as the City grows.
- Fast population growth may also mean a fast growth of the resident labor force.

Mesa has ample availability of buildable land for multiple land uses. A recent study by Ernst & Young found that the East Valley communities of Mesa, Gilbert, Queen Creek and Apache Junction have a total of 15,700+ acres of land developable for office and industrial uses. Of this more than 73 percent is in the City of Mesa. With the announced closure of the 5,000-acre General Motors Proving grounds, Mesa's developable land inventory will grow by more than 20 percent of its total size.

Mesa's labor force is relatively young compared to the region as a whole, and its location and oncoming freeways will also allow Mesa to capture a large proportion of available and oncoming growth in the regional labor force. The 2000 census reports that the median age in the City of Mesa is 32 years compared to the statewide median of 34.2 years. According to the Maricopa Association of Governments, 85 percent of the adult population (25+ years) in Mesa were high school graduates as of 1995. 21 percent of this age group have Bachelor's Degrees and 6 percent have Graduate Degrees. Approximately 29 percent of the adult population have Associate Degrees or higher.

According to the paper by the Fannie Mae Foundation, one of the greatest strengths of large fast growing cities is their strength of scale – 'They usually have the economic assets that can technically make them central places'. In the case of Mesa, this is very true in terms of the City's public infrastructure capacities, especially utilities and transportation infrastructure capacities. It is important, however, to understand that these capacities have to be continuously and proactively expanded and streamlined to keep up with the increasing pace of demand resulting from population/employment growth. Mesa also has existing and anticipated high quality improvements in regional access, including two new freeway extensions and possible light rail transit. The Red Mountain-San Tan freeway loop to and through Mesa is anticipated to be completed in segments during 2002 through 2007.

## **MESA IN THE CONTEXT OF THE REGIONAL ECONOMY**

The National Commission on Entrepreneurship (NCE) recently commissioned a study to map the national distribution of 'high-growth' companies. The study developed a GCI

(Growth Company Index) with values ranging from 0 to 200, a GCI of 100 being average. According to this study the Phoenix LMA<sup>2</sup> was found to have a GCI of 197, one of the highest in the country. Approximately 7 percent of the total number of establishments in the region grew by 15 percent or more over a period of 5 years (since 1991).

The Comprehensive Regional Economic Development Strategy, currently being drafted by the GPEC, states that Arizona's economic development strategy in the 90's was based on building export driven industries. Many of these clusters have undergone numerous market and technology shifts over the past decade, especially in the aerospace, and high-technology sectors, leading to closures and cut backs. It is alarming to see that many of the leading technology firms are opting for downsizing their presence in the region rather than replacement and repositioning. GPEC concludes that the Phoenix Metro area economy is now one of the fastest decelerating economies in the state, instead of being one of the fastest growing ones (as in the last decade). These recent findings suggest the imminent need for a regional economic development strategy that identifies the desired mix of industries and industry clusters and proposes initiatives to expand its economic productivity considering the anticipated dynamics.

Legislators, public policy makers, economic development professionals, and planners often find it hard to keep pace with the dynamics of markets, technologies, and people. Though a regional strategy (as the one being drafted by GPEC) is essential to serve as an umbrella for regional development, its implementation and program delivery can only be carried out by the proactive participation and communication between all the communities involved, overcoming intra-regional competition. Being the second largest City in the region, Mesa will play an important role in this process of economic transition.

GPEC's regional strategy identifies 5 broad industry clusters as priority sectors for the region. They are:

1. Aerospace – A traditional cluster in the region but continues to contract
2. Bio-Industry – A growing cluster, but not a traditional location
3. Business Services – A growing cluster with more expansion opportunities

---

<sup>2</sup>A Labor Market Area defined as counties included in a 'commuting zone' of the region. The Phoenix LMA includes Gila, Maricopa, Pinal, Graham and Greenlee Counties

4. High-Tech – A traditional cluster, with a slowing growth rate
5. Software – A fast growing cluster with expansion opportunities

GPEC suggests that local governments will have to initiate local planning/strategy, and funding mechanisms to attract firms, expand existing firms and catalyze new start-ups within their local markets, while regional planning efforts, program coordination, advocacy and evaluation of the program initiatives will be carried out at a regional level by GPEC itself.

Based on existing and oncoming strengths, Mesa should prioritize cluster sub-sectors under the 5 broad regional cluster groups to include some of the following industries:

***Aerospace*** – Aircraft servicing, retrofits, non-destructive testing, and freight/cargo components manufacturing.

***Bio-Technology*** – Includes agro-tech, and possible spin-offs related to agricultural genetics research and testing. Mesa Water Farms can potentially be a site for some of these endeavors. Note that nationally two of the sectors with greatest potential growth are Bioinformatics (merging of biotechnology and information technology), and Neurogenomics (merging of genomics with neuroscience).

***Advanced Business & Financial Services*** – Electronic records services, storage, protection, specialty-programming group cluster.

***High-Tech*** – Includes communication services, products, applications firms group. These have to comply with new technologies, standards and protocols that are fast evolving in the fields of wireless and cellular communications.

***Software*** – This is a broad definition that can be spurred by any of the above clusters, depending on labor force availability. Includes larger software development and database management firms (may overlap with ‘business services’) as well as smaller e-service, web-application, and design firms. Specific sectors may include internet-security, medical and imaging software, avionics, navigation and GPS software.

In addition, Mesa should also focus upon its existing strength as an education cluster.

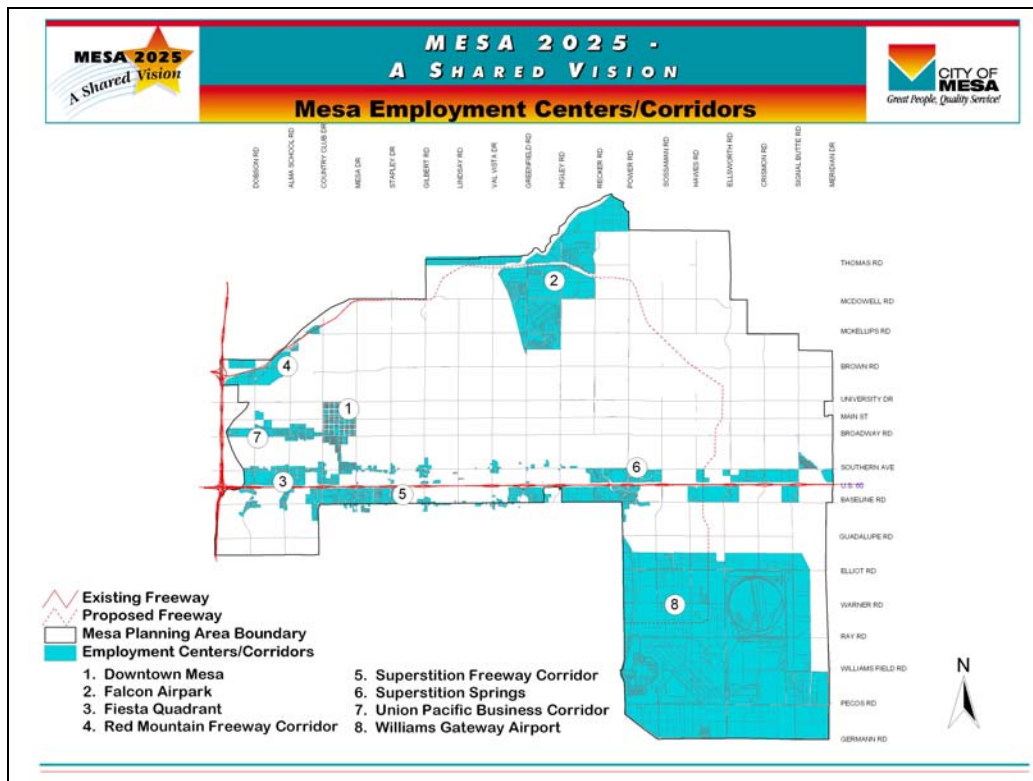
The ongoing regional and local cluster identification process carried out by the GPEC, is based on quantitative analysis of employment by industry as per the U.S. Standard Industry Classification (SIC) codes. Though SIC provides the ability to differentiate industry sectors in detail, it is becoming increasingly difficult to apply this classification method to plan for the 'new economy'. Breaks and overlaps in traditional 'manufacturing' and 'services' categorizations makes it difficult to classify new economy industries like biotechnology, software, and high-technology. Hence, the newly developed North American Industry Classification System (NAICS) appears to be a more appropriate classification system in today's context. It is suggested that for future analysis, measurement and evaluation of cluster strategies, use of the NAICS classification will be a better alternative.

### **EMPLOYMENT CENTERS AND ECONOMIC HUBS**

The City has more than 8 already acknowledged employment centers, with several more likely to emerge in the Southeast Planning area. The 8 employment centers were identified in the 'Economic Base Analysis' and include the following areas as shown in Figure II-1:

1. Downtown Mesa: The center of Mesa's governmental and municipal activity, The Downtown area accounts for approximately 7 percent of the City's employment base. Approximately 45 percent of Downtown employment is associated with public administration. Downtown Mesa is also undergoing transformation as a cultural hub of the City as well as the East Valley with the oncoming Mesa Arts Center. The stable employment base provided by the public administration sector and the mix of retail, recreational and cultural uses, clearly makes Downtown Mesa an important economic activity center of the City and the region as a whole.

**Figure II-1: Mesa Employment Centers and Corridors**



Source: The City of Mesa and Economics Research Associates

2. **Falcon Airpark:** Falcon Field airport and its environs present one of Mesa's most visible clusters of the Aerospace industry. Boeing, MD Helicopters and numerous other aircraft service, training, and maintenance facilities located in this area exhibit a strong synergy and potential for growth. The Falcon Field Airport is also one of largest general aviation airports in terms of based aircraft. The northern part of this area is already reachable by the Loop 202 extension, providing significant accessibility and visibility to the rest of the region. This has already spurred the development and expansion of employment intensive developments including the Dover Industrial Park, and the oncoming Longbow Development. This area is also the location of the new large scale Wal-Mart store approved by voters in March of 2002. Seventy-two percent of the contemporary employment distribution in this area is comprised of services, retail trade and manufacturing sectors, with 30 percent, 22 percent and 21 percent employment in each of these sectors respectively.

3. Fiesta Quadrant: The Fiesta Mall and its surrounding areas, situated within some of the older and dense neighborhoods of Mesa, represent an agglomeration of retail, services, and commercial/office uses. The newly renovated (in 1999) 1.03 million s.f. Fiesta Mall, originally developed in 1979, forms the core of this economic activity area, with numerous other retail, commercial office and hospitality uses distributed along Southern Ave. between Dobson Rd. and Country Club Dr. This area also includes the Mesa Community College Campus. Estimates show that approximately 43 percent of the employment in this area is related to retail trade, with another 40 percent in the services sector. This ‘quadrant’ enclosed by Country Club and Dobson to the east and west, and Southern Avenue and the Superstition Freeway to the north and south, can clearly re-emerge as a significant retail/commercial/employment center of west Mesa and southeastern Maricopa County.
4. Red Mountain Freeway Corridor (future activity center): This area in the northwest portion of Mesa, near the Hwy. 101 and 202 freeway interchange has the potential to become a significant job-space concentration and economic activity location in the near future. The presence of available undeveloped land, both privately and publicly owned, can capitalize on numerous location, access, and visibility advantages in the regional and local context. The extension of the 202 loop will only enhance these advantages. This area is also the proposed location of the regional ‘multi-purpose’ center (including an NFL stadium) currently being considered by the City and the Phoenix Tourism and Sports Authority (TSA).
5. Superstition Freeway Corridor: The US 60 ‘Superstition’ Freeway is the only major access corridor currently providing regional visibility and connectivity to the City of Mesa. Though the freeway lies entirely within the boundaries of Mesa east of the Loop 101 River/US 60 interchange for a distance of about 18 miles, it also provides access to/from Gilbert, Chandler and Tempe, connecting to the Interstate 10 on the west. These access advantages have helped the Superstition corridor to evolve into the largest employment activity center in the City of Mesa. A wide range of industrial, retail, commercial and institutional land uses of varying sizes straddle this corridor, stretching from Southern Ave. on the north to Baseline Rd. to the south. The Arizona School of Health Sciences, a unique healthcare training facility offering a range of online and campus based programs, is also located along this corridor. Thirty-nine percent of the total employment in the Superstition corridor is related to the services sector, 20 percent of the employment is in the retail sector, and 14 percent is in the manufacturing sector.

Approximately 23 percent of the City's total jobs are located in the Superstition corridor generating approximately 25 percent of the total citywide transaction/sales volumes. It is important to note that ongoing repositioning efforts across employment sectors will offer numerous infill and redevelopment opportunities in this area in the near future.

6. Superstition Springs: This area on the eastern portion of the city centered around the Superstition Springs Mall, presents the largest concentration of high-quality regional serving retail space in Mesa. The primary anchors of this retail activity agglomeration are the 1.3 million s.f. Superstition Springs Mall and the 500,000 s.f. Superstition Springs Power Center along with numerous other smaller centers in the vicinity. With almost 15 percent of Mesa's General Fund revenues coming from retail sales taxes, this activity area plays a critical role in stabilizing the City's fiscal position. However, increasing competitive pressures from surrounding communities will continue to disperse the regional retail base. Prudent planning to define other unique retail activities at and adjacent to the existing centers, can help define unique destination shopping/entertainment in the future to continue and expand Mesa's regional retail presence. 58 percent of the current employment base in this area is related to retail trade.
7. Union Pacific Business Corridor: The Union Pacific Business Corridor is roughly encompassed by Country Club Dr. to the east, Fwy. 101 to the west, University Dr. to the north and Broadway Road to the south. This area currently accounts for approximately 13 percent of total citywide employment. 36 percent of the area's employment base is in the retail trade sector, followed by 25 percent in manufacturing and construction related activities and 24 percent in the services sector. The area also includes some of the City's larger employers like Motorola and AT&T and one of the leading job training facilities- the East Valley Institute of Technology (EVIT). The area offers tremendous opportunities in terms of future job location due to its regional location and access advantages and the visible clustering of jobs and training infrastructure. These efforts, however, may entail redevelopment and infill incentives to attract developers and employers.
8. Williams Gateway Airport (Emerging activity center): The area around the Williams Gateway airport and the General Motors Desert Proving Grounds (not yet a part of the City), in the Southeast portion of the Mesa Planning Area (MPA), present the largest agglomeration of developable land in the City. With the oncoming access infrastructure from the Santan Freeway (anticipated in 2006), the emerging educational activity cluster pioneered by the ASU East Campus, and the anticipated aviation related activity at

Williams Gateway Airport, this area presents the largest basket of opportunities to the City of Mesa in terms of achieving the broader economic development goals and objectives. In addition, the announced closure of the approximately 5,000 acre General Motors Desert Proving grounds facility and its potential annexation by the City will further extend these economic development opportunities. It is anticipated that this emerging economic activity area will become the driving force behind Mesa's Job Capture efforts not only by virtue of the advantages described above, but also due to its strategic location at the border of Pinal and Maricopa Counties offering tremendous opportunities for a larger share of the regional job space growth.

These 8 economic activity areas currently host 70 percent of the City's total jobs, 66 percent of the City's firms, and 69 percent of Citywide sales. In terms of distribution by employment sector (as share of citywide employment) these eight areas contain –

- 94 percent of all manufacturing employment
- 73 percent of all retail employment
- 66 percent of all Finance, Insurance and Real Estate (FIRE) related employment
- 63 percent of all Services related employment and
- 39 percent of all Wholesale Trade related employment.

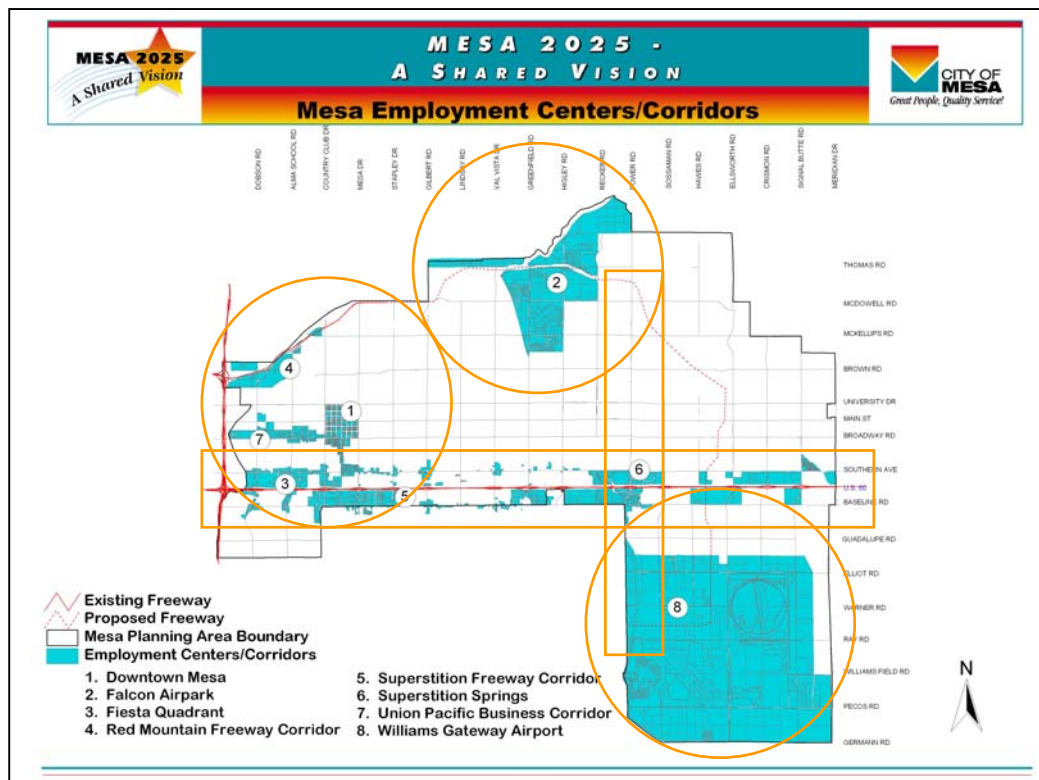
These individual activity-centers are all interconnected in the regional context, forming regional 'economic hubs'. As shown in Figure II-2, existing and anticipated economic activity in Mesa are focused in three such economic hubs that are either connected by adjacency or by 'economic activity corridors'. The former is defined by circles and the latter by rectangles. Broadly, these economic hubs and corridors can be defined as follows:

1. The Falcon Economic Hub: Includes the Falcon Airpark and its environs. The intensity and volume of oncoming development projects in this area requires it to be viewed as an independent economic hub.
2. The Town Center Economic Hub: Includes the Downtown area, Fiesta Quadrant, the Union Pacific Corridor, and the Red Mountain Freeway Corridor.



3. The Southeast Mesa Economic Center: Includes entire southeast Mesa, encompassing Williams Gateway and its environs and the General Motors Proving Grounds. (This large area should have a unique theme, establishing place within Mesa.)
4. The Superstition Corridor: Includes the entire Superstition Freeway Corridor, including the Superstition Springs area, connecting the Town Center economic hub on the west to the Southeast Mesa Economic Center on the east of the City.
5. The Power Road Corridor: Connects the Falcon economic hub on the north to the Southeast Mesa Economic Center on the south.

**Figure II-2: Mesa Economic Activity Hubs**



Source: The City of Mesa and Economics Research Associates

### **MESA CITIZEN 'ATTITUDE SURVEY'**

A recent attitude survey (January 2001) conducted by the Mesa Convention and Visitors Bureau revealed some broad perceptions of Mesa among East Valley residents.

Some of these perceptions that can either be capitalized on or need to be overcome are summarized below:

- Mesa's general image among other East Valley residents is mostly neutral.
- However, Mesa fares the lowest in terms of a 'net positive' impression among all of the East Valley Cities.
- The survey analysis of Mesa's image among non-residents reveals the following:

**Favorable Attributes**

Friendly people  
Good streets and freeway access  
Many shopping opportunities  
A great place to raise a family  
Affordable housing  
Low crime rate

**Unfavorable Attributes**

Limited night life  
'Not for people like me'  
Limited arts and cultural activities  
A strip mall and trailer park paradise  
An area of uncontrolled growth

**OTHER STRENGTHS**

- Opportunities for significant jobs clustering at Falcon Field and Williams Gateway Airport.
- Oncoming regional improvements in cultural/recreation facilities/programs. Specifically, Mesa Arts Center and Indoor Aquatics Center. Also, smaller venues such as privately-owned dinner theaters.
- Relatively low cost of doing business. However, Mesa's long term employment attraction program should be based essentially on both the availability of a quality labor force and excellent quality of life amenities rather than just on its low costs of doing business.
- Location of nationally recognizable names in technology and information (AT&T, Boeing, TRW etc.).

- One of the first cities to actually guide an ‘Electronic Streets’ initiative designed to strategically and equitably distribute effective high-speed electronic communications services across the huge scale of the growing community.
- Professional and entrepreneurial local government. Public-private partnerships, as evidenced by development agreements (i.e. DMB Auto Center at Superstition Springs, and the new Arizona School of Health Sciences Campus).
- Collaboration with Greater Phoenix Economic Council (GPEC) and other regional agencies. Mesa also focuses upon its partnerships with and services to the many East Valley communities.
- Determination to grow smarter and achieve economic sustainability. Hence, Mesa 2025: A Shared Vision.

### **Section III**

## **EVOLUTION OF ECONOMIC ACTIVITIES: ONGOING AND ANTICIPATED**

### **THE EVOLVING 'EDUCATION CLUSTER'**

As a key economic activity "cluster," it becomes apparent that public and private education at all levels of activity represents a very significant concentration with varieties of specialization. The working totals of this cluster, have been recently defined as follows:

- Probable total number of students — 130,100±
- Probable number of faculty and staff — 12,000±

These contemporary numbers will substantially increase as the educational establishments at Gilbert Public Schools and at Williams Gateway increase. For example, Arizona State University East Campus is expected to increase to roughly 20,000 students. This would likely mean an increase of faculty and staff of more than 3,000 additional employees.

These perspectives, continually evolving and expanding, strongly suggest that the Mesa Economic Development Strategy guide the alliances and investments which will secure an even greater specialization in the educational realm, focused on advancing technologies, student and graduate student skills, and the building of bridges (such as incubators, small business campuses, and other facilities) in Mesa so that the specialization will help drive evolving partnerships and growth in economic activity value as well as jobs compensation value for the long-term health of the City.

Table III-1 presents a rough estimate of the components of the contemporary education cluster in Mesa.

**Table III-1 - Mesa as an Education Cluster  
(Growing in Scale, in Programs, in Technologies)**

	<b>Students</b>	<b>Faculty</b>	<b>Other Staff</b>
Public School Districts — K-12 (Five districts serve Mesa.)	71,851	10,342	(included)
1. Mesa Unified School District			
2. Gilbert School District			
3. Queen Creek School District			
4. Higley School District			
5. Tempe Unified School District			
Charter Schools (30+) and Private Schools (14)			
Community College District (Maricopa County Community College District)		(for all five campuses)	
1. Mesa Community College @ Southern Ave. in Mesa	40,000	598+**	
2. Mesa Community College @ Power Road in Mesa			
3. Mesa Community College Business & Industry Institute			
4. Mesa Community College @ Downtown			
5. Mesa Community College in Mesa & Chandler/Gilbert Community College @ Williams Gateway	1,323	147	(part of 147)
EVIT (East Valley Institute of Technology)* — does not include satellite programs	1,900±	150	(part of 150)
Arizona State University—East Campus @ Williams Gateway	1,939	584	(part of 584)
Embry-Riddle Aerospace University @ Williams Gateway	58	4	
University of North Dakota @ Williams Gateway	68	17	
Arizona Flight Training Center @ Williams Gateway	71	7	
Airline Transport Professionals @ Williams Gateway	15	4	
Proprietary Universities and Institutes in Mesa Locations			
• Apollo College	230±	24±	(included)
• Arizona Institute of Business & Technology	319±	40±	(included)
• Pima Medical Institute (formerly Aztech College)	370±	40±	
• Pima Medical Institute/Mesa	12		
• Keller Graduate School of Management	200±	50±	(included)
• Ottawa University	89±	12±	(included)
• University of Phoenix/Mesa	990±	127±	(included)
• University of Phoenix/Mesa ("Gilbert")	647±	83±	(included)
• Arizona School of Health Sciences (under construction)	500+	60++	(included)

\*Collects students from nine participating public school districts.

\*\*598 faculty plus 800 adjuncts plus 700 student workers.

Source: School and college districts, ongoing phone survey, web sites, Williams Gateway, City of Mesa, and Economics Research Associates.

## **AIR SERVICES CAPTURE AT WILLIAMS GATEWAY**

The existing Williams Gateway Authority is its own marketing entity. It competes with multiple airports in the Phoenix-Mesa region, but essentially with the City of Phoenix which owns and operates Sky Harbor, Goodyear and Deer Valley airports. This challenge is very much like the Los Angeles Department of Airports ownership and operation of LAX, Ontario, Van Nuys (general aviation), and Palmdale Airports. Thus, Los Angeles competes with San Bernardino's former Norton Air Force Base which has been unable to attract commercial air service.

Would the challenges at Williams Gateway in attracting airport activities (including the contemporary financial difficulties faced by all major air carriers) be improved by partnering with the City of Phoenix? Options could be:

- Airport management contract with the City of Phoenix, which would bring business
- Marketing support services agreement with the City of Phoenix directed at air cargo carrier prospects
- Relocation of selected large aircraft servicing fixed base operators from Sky Harbor to Williams Gateway by reaching a combination of agreements including new facilities funding and revenues sharing with the City of Phoenix

There are additional configurations/alternatives. The essential concept is to harness the marketing and operational capabilities of Phoenix, along with enhanced access to funding techniques.

## **REGIONAL LIGHT RAIL TRANSIT ACCESS IN THE CONTEXT OF MESA**

The proposed light rail transit line from the Phoenix civic core through Tempe to the EVIT campus station in Mesa near Alma School Road has been confirmed by prior public decisions. Phoenix has actually adopted a ballot measure authorizing local share funding. Mesa is challenged to determine in the near future whether it will bring the light rail line, at street grade, into the downtown core, which would be an easterly extension of the presently proposed terminus near EVIT.

Over the longer term, provision of light rail transit to the Arizona State University East campus at the Williams Gateway Airport would be a superior mid- to long-term fulfillment of service potentials for light rail. This would be equivalent to one of the longer lines established by the "Red Car" system in the San Diego metropolitan area. The transportation plan prepared for the City deals with the prospects for light rail. This information defines experience concerning economic development and transit oriented development.

Any strategy for an LRT line must deal with the arrival of employees, not simply the going away and return of commuters. Mesa should be prepared to step up to this challenge by defining land development opportunities at station sites which would be reasonably scaled at about one-eighth mile radius from the light rail station platforms.

It takes time for light rail to ultimately stimulate new development. Experience in California and the West suggests that 10 to 15 years may be necessary before sustained ridership patterns have generated moderate business activity and development potentials. Being at the end of the line, as may be the case for EVIT, in the initial years, does not appear to sustain transit oriented development private investments in the near term. Being at the middle or along the way does eventually generate moderate development/redevelopment/adaptive use.

For the foreseeable future, the most likely beneficiary of light rail for Mesa would be the downtown area in which the ambitious redevelopment project is located and within which significant large-scale development sites are also available. Redevelopment in downtown Mesa is likely to occur without stimulus from light rail, however, so long as the City is continuously pro-active with its redevelopment project. The essential product being sought for downtown Mesa will be much more dense office buildings which will have higher levels of employees. Light rail supports but does not actually cause market demand for medium- to high-rise office space.

Should the light rail system eventually extend to the Southeast Mesa urban economic hub, two choices seem clear:

1. The alignment may utilize the existing diagonally oriented rail right-of-way which goes through Gilbert.

2. An alignment continuing through Mesa toward Superstition Springs, possibly along or adjacent to Main Street, could actually stimulate real estate reinvestment interests.

Responsibility for the local share-funding portion of light rail line development and extension is a key challenge. Assessment districts have been utilized in limited fashion in a number of communities in the West. In some cases, however, property owners and businesses/merchants have rejected such approaches, if offered the opportunity to vote. Further, each incremental extension of light rail normally depends on the certainty of both federal funding and state funds allocations.

In the near term, it is recommended that Mesa resolve its contemporary challenge to determine to extend the light rail line to the downtown core. If this can be done, the City can next evaluate its best economic development options in terms of further extensions to the east. Revitalization of the Main Street corridor, farther to the east, may play a substantial role in making such determinations.

## **RECREATION AND CULTURAL AMENITIES**

Mesa has an emerging higher quality of regional cultural and recreation facilities (Arts and Entertainment Center, Aquatics Center). These unique attractions in the Downtown center will re-acquaint regional residents with Mesa. Deliberate attraction of target market regional sociodemographic groups to the facilities should be carefully programmed. The Morrison Institute's 'Five Shoes...' report, and the GPEC strategy, both state the importance of recreation and cultural amenities in attracting and retaining a young and high quality labor force. The planned Mesa Arts and Entertainment Center, slated to open in 2005 will include three indoor performance facilities (a 1,600 seat lyric theater, a 550-seat repertory theater, and a 200-seat playhouse) as well as outdoor performance areas and exhibition spaces. Table III-2 provides a list of premier venues in the metro area, and it can be seen that the Mesa Arts Center has the opportunity to become one of the top five venues in the region.

Mesa will also build a high quality competition swimming facility in the downtown core within the next three years. The Aquatics Center will attract local and regional use and host major exhibitions and competitions in the west.



**Table III-2 – Phoenix Metro Area Premier Venues**

Venue	Capacity
<b>Scottsdale Center for the Arts (Scottsdale)</b>	
Theater	838
Cinema	142
<b>Chandler Center (Chandler)</b>	
Mainstage	1,557
Bogle Theatre	350
Recital Hall	255
<b>Red River Music Hall (Tempe)</b>	999
<b>Arizona State University (Tempe)</b>	
Galvin Theatre	478
Lyceum Theater	162
Gammage	3,000
<b>Herberger (Phoenix)</b>	
Center Stage	815
Stage West	320
<b>Dodge Theater (Phoenix)</b>	5,000
<b>Civic Plaza Ballroom (Phoenix)</b>	3,000
<b>Celebrity Theater (Phoenix)</b>	2,650
<b>Orpheum Theater (Phoenix)</b>	1,398
<b>Symphony Hall (Phoenix)</b>	2,587
<b>Web Theater (Phoenix)</b>	1,750

Source: Economics Research Associates.

In partnership with the State Tourism and Sports Authority, Mesa may achieve the location of a ‘multi-purpose center’/NFL Stadium in the City.

### **EVOLVING HOSTING CAPACITIES**

Tables III-3 and III-4 demonstrate characteristics of visitors to Mesa compared to the regional visitor profile. Though Mesa has experienced an increase in visits from the 55+ years visitor group, Mesa’s median visitor income grew by only 10 percent during 1995-2000

period compared to a 20 percent increase in the regional median visitor income during the same period. Only 12 percent of the visitors to Mesa had annual incomes above \$70,000 compared to 20 percent region-wide (during 2000). The relative low income of Mesa visitors also pushes down their average expenditures in the City.

Mesa's visitor market, however, is strongly driven by 'snowbirds'. Only 17 percent of the winter visitors to Mesa are under 35 years of age. Though this group has a relatively higher income and expenditure capacity, it is still considerably lower than the typical winter visitor to the region. In 2000, business visitors accounted for only 5 percent of total visitors to Mesa.

**Table III-3 – Visitor Characteristics  
Metro Phoenix Vs. Mesa**

	<b>Metro Phoenix</b>			<b>Mesa</b>		
	<b>1995</b>	<b>2000</b>	<b>% Change</b>	<b>1995</b>	<b>2000</b>	<b>% Change</b>
<b>Visitors Age</b>						
Under 35	29%	8%	-72%	24%	3%	-88%
35 to 54	50%	49%	-2%	47%	36%	-23%
55 or Over	21%	43%	105%	29%	61%	110%
Median Age	42.2	52.8	25%	44.9	57.9	29%
<b>Annual Visitor Income</b>						
Under \$40,000	27%	26%	-4%	36%	40%	11%
\$40,000 to \$69,900	32%	54%	69%	30%	48%	60%
\$70,000 and Over	41%	20%	-51%	34%	12%	-65%
Median	\$ 60,800	\$ 72,800	20%	\$ 54,600	\$ 60,200	10%
<b>Purpose of Visit</b>						
Business/Conventions	38%	13%	-66%	24%	5%	-79%
Leisure	62%	87%	40%	76%	95%	25%
<b>Average Daily Spending per Party</b>						
Under \$100	21%	20%	-5%	31%	NA	NA
\$100 to \$199	35%	21%	-40%	37%	NA	NA
\$200 to \$299	23%	17%	-26%	21%	NA	NA
\$300 Plus	21%	42%	100%	11%	NA	NA
Median per Party	\$ 184	\$ 253	38%	\$ 163	NA	NA

Source: Mesa Conventions and Visitors Bureau and ERA.

**Table III-4 – Mesa Seasonal Visitors (1995)**

	<b>Summer</b>	<b>Winter</b>
\$70k+ Income	4%	43%
Median Income	\$ 25,000	\$ 55,000
<b>Under 35</b>	47%	17%
<b>Accommodations</b>		
Hotel	37%	66%
Private Homes	52%	20%
<b>Average Spending*</b>	\$ 98	\$ 172

\*denotes per party per day

Source: Mesa Conventions and Visitors Bureau and ERA

The City has a high concentration of economy/budget hotels as shown in Table III-5 below. Survey data during 1995-2000 reveal that full service hotels in the City have experienced a steady decline in both Average Daily Room Rates (ADRs) and occupancy, while the opposite is true for limited service hotels, as presented in Tables III-6 and III-7.

**Table III-5 - Mesa Hotel/Motel Room Inventory**

<b>Hotel</b>	<b>Number of Properties</b>	<b>Number of Rooms</b>
Budget – Independent	32	832
Budget – Affiliated	11	1,038
Economy	10	1,064
Mid Price	7	847
Upscale	5	1,180
Luxury	-	-
<b>MESA TOTAL</b>	65	4,961

Source: Mesa Conventions and Visitors Bureau and ERA

**Table III-6 - Mesa Hotel/Motel Average Daily Rates**

Year	<u>Property Type</u>		
	Full Service	Limited Service	100+ Rooms
1998	\$ 85.53	\$ 60.84	\$ 71.97
1999	\$ 83.76	\$ 61.71	\$ 70.89
2000	\$ 81.91	\$ 62.31	\$ 70.15

Source: Mesa CVB and Economics Research Associates

**Table III-7 - Mesa Hotel/Motel Occupancy**

Year	<u>Property Type</u>		
	Full Service	Limited Service	100+ Rooms
1998	60.3%	59.7%	59.9%
1999	60.1%	61.7%	61.1%
2000	59.1%	61.9%	60.8%

Source: Mesa CVB and Economics Research Associates

‘Snowbird’ visits to Mesa, however, is anticipated to plateau gradually. Mesa should be able to attract an increasing proportion of relatively younger population and resident families, with appropriate land use planning and tourism marketing efforts. Mesa’s increasing household size and the rapid growth of the permanent population is a good indicator of this emerging trend.

### **MESA-PINAL COUNTY WATER FARM ASSET**

Since the mid-1980s, the City of Mesa has owned a 20,000-acre contiguous land holding in Pinal County. The properties were purchased for the purpose of potentially conserving groundwater. Mesa and several other cities in Maricopa County made purchases of tens of thousands of acres for "backup" water supply in case the Colorado River water supply intended to come through the Central Arizona Project canals was delayed.

The original intent was to take the acreage out of intensive irrigation use for agricultural crops, thus conserving groundwater with the possible intent of its extraction at a later time. A preliminary plan for conversion of land uses to less intense water use demand was completed during 1988-1990.

Subsequently, the Central Arizona Project canals were completed and the Colorado River water allocations were delivered, including final extension to the Tucson metropolitan area. The City of Mesa has held its properties for more than 15 years and should now reconsider use of the asset as an economic development venture.

The property all lies in unincorporated Pinal County. The property is accessible from Arizona State Route 87, which parallels the ownership. The property also includes land adjacent to the Picacho Reservoir. The land lies near the small community of La Palma.

With water now available through the CAP project, as well as some restoration of groundwater, it will be possible to continue the agricultural uses to which the land had originally been devoted. Some thought has been given to identifying oncoming agricultural product use which may favor the research and product processes for biomedical and biopharmaceutical research and development, and eventually production. This would support the intended research and development functions of the biomedical research efforts at the Arizona State University East campus near Williams Gateway Airport in Mesa.

Because the property lies nearly 25 miles south of Queen Creek, it appears to lie outside of the potentially urbanizing residential land use growth area in Pinal County. Thus, in the nearer term (next 10 years), it is unlikely that the Mesa Water Farm will be uniquely in market demand for urban uses or for new town uses, unless the City were to deliberately promote that course of action.

## **FISCAL FUTURES OF COMMUNITY AND ECONOMIC DEVELOPMENT**

As the General Plan has evolved, "order of magnitude" costs of municipal infrastructure and public facilities have been defined. The economics consultant has modeled a potential profile of oncoming City obligations, in 2002 dollar values, in order to understand the challenge regarding financing of public infrastructure which Mesa will face during the 25- to 40-year potential buildout of very large areas of the community.

Revisions are continually made as the City adjusts its estimates of potential future costs and also increases and expands its development impact fee schedules. For example, a contemporary analysis now under way will recommend the first-time inclusion of development impact fees for storm-water management facilities and for general government offices, yards, and facilities. Note also that the City has relatively recently adopted policy

guidelines concerning the use of public infrastructure assessment districts, a technique not previously utilized in the City of Mesa. This methodology is expected to be utilized, given the extraordinarily high costs of future public infrastructure in the east and southeast portions of the City where major infrastructure installation will be necessary.

A working "order of magnitude" estimate of potential costs which are not met at this time, from identified current or future City sources, suggests that roughly \$2.65 billion (in 2002 dollar values) may be necessary for the community and economic development buildout of the General Plan.<sup>1</sup> Obviously, the City will continue to adjust its development impact fees and will utilize additional creative financing partnerships, including public infrastructure assessment districts. Note, however, that if the presently estimated "uncovered" \$2.65 billion were to be required through bonded debt issuance, the likely cost of payoff would rise to about \$5.3 billion in 2002 dollar values. In other words, the City of Mesa is challenged to continually improve its public infrastructure financing techniques in order to create the appropriate frameworks for continuation of very high quality growth in the City's municipal planning area.

A separate report, updated continuously, provides further analysis.

## **OTHER ONGOING AND ANTICIPATED ECONOMIC ACTIVITIES**

- *Airports and Aerospace:* The City has used Falcon Field to attract Boeing and others (i.e. Communication Services, Inc.; MD Helicopters, Inc.; Talley Defense Systems, TRW; etc.). The City has also used incentives at Williams Gateway to attract higher education and other aerospace/aviation firms. With the oncoming freeway infrastructure, the City envisions Falcon Field and Williams Gateway to further evolve into major regional employment centers.
- *General Motors Desert Proving Grounds Closure:* The announced closure of the GM Desert Proving Grounds will make available 4,980 acres of land for potential annexation and development in the City of Mesa. Coupled with the expected growth at Williams Gateway, the Southeast Mesa plan area can become a primary employment and economic activity center for the East Valley and Northern Pinal

---

<sup>1</sup> This estimate is dated 4/30/02, based upon ERA estimates and the draft Transportation and Parks and Recreation Plans available at that time.

County. The quality and sustainability of the new jobs will be the key to quality economic growth for more than one quarter of the City's area.

- *Governmental Office Cluster:* Mesa has and will continue to attract a diverse collection of governmental offices. Further population, employment, and number of establishments growth is likely to also increase provision of governmental services in Mesa as the core of the East Valley.
- *Healthcare Cluster:* Mesa is the location for several hospitals/medical centers. Desert Samaritan Medical Center and Mesa Lutheran Medical Center are currently undergoing major expansion/renovation projects. Evolving medical insurance and Health Maintenance Organization (HMO) services will probably consolidate service delivery locations into Mesa.
- *Development of the Southeast Mesa Urban Economic Center.* This very large area represents the unique regional employment growth opportunity in eastern Maricopa County. It can become the jobs center and economic activity hub of the East Valley and northern Pinal County.
- *Opportunities from Pinal County Growth:* Mesa's growth is driving to the east – both ongoing and oncoming expansion continues to follow this trend. Virtually all of the 20,000+ acres of undeveloped land in the Mesa MPA lies in the east, most of it east of Power Road. Additionally, Pinal County, to the southeast of Mesa, is expected to add approximately 70,000 people in the next 20 years according to projections by the Arizona Department of Economic Security.
- *Downtown Redevelopment:* The City is committed towards preserving and revitalizing its Downtown core, and has been consistently pursuing these efforts for more than two decades. Creating an office core, as well as the emergence of the already committed Mesa Arts Center and the Mesa Aquatics Center will reposition Downtown.
- *Capacity for Utilities Expansion:* Mesa has the ability to expand/extend utility services to new perimeters. This is widely acknowledged as one of the major economic development strengths of the City.

- *Existing Regional Retail Base:* The City was able to capture two significant Super-Regional Malls (Fiesta and Superstition Springs). Fiesta Mall completed renovation two years ago; Superstition Springs Center will undergo renovation in the next eighteen months.
- *Existing Fiscal Revenue Sources:* Utilities revenue and utilities taxes have been strong municipal funding sources. Despite the significant amount of utility revenues and utility taxes, intergovernmental transfers (from the state) and retail sales tax revenues remain the largest sources of municipal revenues and hence are quite important.



## **Section IV**

### **STRATEGIES FOR THE CITY OF MESA**

This section delineates some of the primary economic development strategies to be undertaken the by the City of Mesa in view of its strengths, weaknesses, opportunities and long term economic development goals. The detailed programs and initiatives required to implement the following strategies will be described in detail in the following sections.

- Very clear pursuit of higher quality jobs and job densities in employment centers. This strategy requires the City to establish target capture ranges of job types/classifications. For example the City should clearly move toward a higher ratio of jobs per resident or per housing unit, and should deliberately seek and support advanced research job and production clusters.
- Focus on office districts. As of the end of the 3<sup>rd</sup> quarter of 2001, the Mesa/Chandler/Gilbert sub-market had absorbed approximately 2 million square feet of office space (year to date). This is approximately 19.2 percent of the total office space absorption in the metropolitan area. On the other hand, this sub-market at present accounts for only 6.2 percent of the total regional office market stock. The City is looking to increase market share, particularly for Class “A” space.
- Freeway nodes and ramps provide opportunities for multiple recognizable locations. Completion of the Red Mountain/San Tan freeway loop will create about 15 new ramp intersections with major arterial road connections in the City of Mesa. At least one half of these will lie within or adjacent to the City’s employment centers – and will present an entirely new ‘approach’ and recognition experience – requiring visual value of place and value of economic activity simultaneously.
- The City’s Electronic Streets initiative offers commercial and residential districts access to communications technologies and can help drive resident labor force technology ‘capabilities’ and educational achievements.

- Initiate business and industry clusters of stakeholder firms and institutions which can define their own business plans for establishment of stronger specialties, labor forces, and higher business volumes. This program may be initiated by the City, but will rely upon sustained leaderships by the business clusters.
- Attract more jobs for residents, yielding a higher quality of life. New jobs in Mesa should be captured by Mesa residents, including a wide ranging spectrum ranging from:
  - new local graduates
  - dual income households
  - seniors in second careers
  - new residents in housing developments
- Serve as jobs location for oncoming Pinal County resident population. Mesa might actually become the job center for 10 percent to 15 percent of the increasing resident labor pool in Pinal County. Williams Gateway and the reuse of the GM Proving Grounds together represent 8,000 acres of both planned and intended job space. The overall Southeast-planning subarea, including WGA and the GM Proving Grounds contains approximately 21,120 acres. This large space has the potential to become a vibrant urban economic center, as has been defined in the visioning process for the General Plan.
- Generate increased income levels for residents. What could be a reachable goal on median household incomes in 5 years? Quality of jobs, and career advances for Mesa residents working in Mesa, result in incremental household incomes and attainment capabilities.
- Current employers/industries should bring new 21<sup>st</sup> Century products and services into Mesa locations. Long-term production and services of older products/technologies will age out in place, threatening community economic viability. Visioning forward by all sizes of firms to identify next products, services, and business infrastructure capacities – should be a joint public/private strategy.

- Build Williams Gateway Airport to become a full service commercial/passenger airport. WGA has already been identified as an air freight activity hub opportunity. It is the single best reliever option for Phoenix Sky Harbor airport in the region.
- Expand on new sciences/technologies programs to ASU East. Technology transfer needs to extend beyond the ASU Main Campus and the ASU Technology Park in Tempe to the reasonably close by (20 miles) ASU East Campus and the ‘north’ and ‘south’ business park opportunities at Williams Gateway.
- Convert GM property to become part of the Urban Economic Center. It is the largest cohesive property in the Mesa Planning Area. This explicit and targeted goal represents one of the clearest futures for the State of Arizona. City of Mesa partnership with GM on land entitlements, infrastructure financing, and development phasing can yield significant values for all participants.
- Achieve aviation rights to protect Williams Gateway Airport. This is essential to maintenance of the projected airport activities already planned since the early 1990s.
- Seek diversification of the municipal revenue base. Mesa is too reliant upon State shared revenues and retail sales tax incomes. Explore the introduction of infrastructure assessment districts and periodically revisit current impact fee schedules.
- Become a recognized regional medical care and services center. Banner Health System, a major medical services provider in Mesa has the oncoming opportunity to position facilities and specialties for regional clientele capture.

## **Section V**

### **AN ENHANCED IMAGE OF THE CITY (Perceptions and Future Vision)**

#### **CONTEMPORARY CONDITIONS AND PERCEPTIONS**

Family-oriented, Mormon, no property tax (low cost, low wage model), retirement community, conservative; these are common perceptions of Mesa in the remainder of the region. The City has often been viewed in the past as geographically distant from mainstream points of destination in the region (mostly because of its sheer size and spread). But, Mesa 2002 is significantly different than Mesa 1980, and continues to evolve. It is time for communication of the extraordinary opportunities, which Mesa offers and will fulfill.

Mesa projects a combination of housing affordability and employment opportunity. Though this image has tended to previously portray the lower end of the economic spectrum, Mesa has new strengths to demonstrate from the 2000 Census and the ongoing economic data series. Excellence in education, scale of available labor pool, size of combined City and adjacent residential consumer markets, and the anticipated regional freeway accessibility massively change the reality of Mesa and its image.

#### **OPPORTUNITIES TO IMPROVE**

- Strive to be the “Mesa Metro Core”, identifying the entire city. There is a compelling need to create a strong, distinct regional hub identity for Mesa. City leadership needs to project the City’s vision to the rest of the region/nation. Mesa should also attract technologies and innovations of the 21<sup>st</sup> century in terms of its jobs, residents, quality of life and policies.
- Mesa provides access to superior quality education and training. The ‘education cluster’ in the City must continue to be deliberately strengthened, with concentration on selected strengths. Mesa must offer an accelerating menu of educational specialties and connections to higher quality jobs and enterprises in Mesa. This will require, as an example, explicit support for the long term evolving role of potential bio-medical technologies at the ASU East Campus at WGA.

- Business and residential access to high quality dependable communications. Incremental access is already underway via the 'Electronic Streets' initiative. Newer technologies are likely to emerge quickly, increasing access and requiring public and private upgrades. In the near term more 'wireless' is likely.
- Reinvent Super-regional retail districts/malls/centers to sustain a significant regional retail presence (particularly in areas surrounding regional malls). Additional retail and entertainment concentration on the perimeters of super regional malls is already evident at both Fiesta and Superstition Springs Malls. Definition of further unique collections, at and adjacent to the super regional malls, which can help define unique destination shopping/entertainment, will be Mesa's next test.
- Increased visibility of the City from new freeways. Mesa will become more visible in the northeast, the southeast and at the US60/Loop202-freeway interchange than the existing City is at present. The high quality of the visible 'products' as in the public works, master planned residential communities, commercial, industrial, and institutional developments, and an overall experience is essential to Mesa's improvement of image.
- Re-evaluation of the hosting capacity futures of Mesa, as compared to its contemporary inventory, quality and reputation. "Snowbirds" demographics are changing; business visitor expectations are changing. Mesa must have an evolving product/experience strategy, and it must become multi-seasonal including tackling the summer heat challenges.

## **FUTURE VISION**

Improving the image of the City of Mesa is a core expectation of the elected leadership, all of its businesses and industries, and its residents and neighborhood leaderships. This is healthy. This is compelling, and requires consistent projection of the positive aspects of opportunity and futures for a growing city which has an enormous potential in the next 25 to 40 years.

The recent success of the visioning process for the General Plan has clearly underlined this "looking forward" ethic and expectation. In the near term, during the next

five years, Mesa will dramatically change in terms of its reputation within the region. The following components of change, all of which are positive, can be effectively utilized in repositioning the City's image and fulfillments:

- *Phoenix-Mesa Metropolitan Area:* Mesa is already associated with Phoenix, because of its scale, in the federal description of the very large metropolitan area. The City should consistently utilize this labeling in all of its public materials.
- *New Regional Locations:* Significant new locations are rapidly becoming available. As the Red Mountain Freeway and the Santan Freeway connect in a convenient loop engaging the northern, eastern and southeastern portions of Mesa during the next five to six years, it becomes very apparent that Mesa will command all-new accessibility, visibility, and a remarkable series of newly valued locations at principal arterials with ramps and freeway interchanges.
- *Land Use Development Opportunities:* The General Plan defines an extraordinary growth potential in the eastern and southeastern portions of the City as it expands into its municipal planning area. The scale of change anticipated in a 25- to 40-year buildout is very large and offers unique opportunity for entirely new physical and visual image as quality of development is upgraded.
- *Concentrating Education Cluster:* Mesa already has a sizable cluster of public and private educational institutions throughout the age spectrum. This will continue to grow and become an even more supportive framework for the City's future and for its regional and southwestern attracting capacity. As educational services move toward "life education," Mesa can anticipate that it will be very much enhanced in terms of evolving image.
- *Ongoing and New Employment Centers:* The City's capacity to provide regional employment concentrations is evident in the General Plan and in the evolving specialties of the City. Mesa enjoys a pivotal location for serving all of the east valley within the metropolitan region as well as the oncoming growth of Pinal County. Focus on quality of new employment will be the principal challenge for delivery and for upgrading the City's image.

- *Infrastructure and Utilities Capability Reputation:* Mesa has long enjoyed and continues to fulfill capabilities to extend, to increase, and to serve existing and developing sections of its very large municipal space. It also provides utility services to areas outside the City along its periphery. Potential fiscal challenges for extension and for increments in the service capacities appear to be resolvable, given the City's strong entrepreneurial skills.
- *Cultural and Recreational Collectivity:* Mesa enjoys one of the most remarkable clustering of arts, cultural, recreational, and conferencing capacities in the Valley of the Sun. This has been achieved deliberately over decades and shortly will be added to by the City's "quality of life" financing commitments. While other adjacent communities will also build new facilities, none will likely match Mesa in terms of the array of opportunities and the connectivity between facilities and services in the urban core areas.

## Section VI

### PROGRAM INITIATIVES AND RECOMMENDATIONS

The program initiatives to be adopted by the City of Mesa are presented in two parts. The first part provides a broad ‘laundry list’ of programs and concepts that are helpful to achieve the City’s long term economic development goals. The second part provides detailed organization and implementation scenarios for some select programs that are unique and imminent.

#### **BROAD PROGRAM INITIATIVES**

- *Sustain capability/land-use policies to ensure Williams Gateway Airport (WGA) development:* A distinct ‘protect and encourage’ policy set is necessary. The City’s consistent goal of developing very large employment center(s) at WGA assets and at the adjacent reuses of the General Motors (GM) Proving Grounds are the essential actions which will serve the airport viability and the Mesa Metro Core positioning of a regional economic/employment activity hub. Potential components of this program initiatives set could include the following:
  - Continuing effort to induce air cargo activity at WGA
  - Placement of infrastructure to provide the framework for the North (and the South) business park proposed at and adjacent to WGA
  - Cohesive support for the potential ASU East Campus biomedical institute establishment and growth, particularly given the reasonable affordability of space and of oncoming peripheral/adjacent tech parks.
  - Establish a ‘paired development’ concept for property entitlements for large properties and districts such as the GM Proving Grounds, requiring job space development commitment (by phase) for each new authorized housing unit. This will be entirely consistent with every policy and plan concept advanced to date by the City concerning the futures of the property. A discussion of the specific program policy of this unique strategy is provided at the end of this section.



- *Establish clear business strategies for Falcon Field employment center development:* This large area will be the first ‘new lands’ district reached by the freeway loop (Red Mountain/202 freeway will open to Higley Road in late 2002). Mesa will create a Falcon Field Airport Marketing and Development Strategy and an Airport Environs Economic Development and Implementation Program during 2002.
- *Upgrade and evolve the Super-regional malls and adjacent power centers:* Fiesta Mall was modernized in 1999-2000; Superstition Springs Center will commence expansion in 2002. As importantly, the adjacent power centers, cinemas, restaurants, and visitor services/accommodations are redefining multi-layer destination districts. Evolution of these primary retail/dining/entertainment districts is essential to achieve continuing dynamic draw of both Mesa and regional residents as well as recreational, seasonal, and business visitors.
- *Create multiple economic development incentives programs that include:*
  - Property clearance incentives, which will help reposition existing vacant large holdings with vacant structures as available ‘new’ sites in Mesa. Several such sites are already served by available existing infrastructure and are known locations in Mesa and the region. Other cities utilize property clearance loan cost (interest rate) write downs to encourage clearance and repositioning, with paybacks occurring at the time of new development financing.
  - Entitlements, possibly including ‘bonus densities’ in larger master-planned properties which commit to jobs-housing balance performance (for example: 2 permanent jobs space for each housing unit allocated in the mixed uses master plan entitlement). Density bonuses could also be provided to induce property assemblies which aggregate multiple small parcels into larger master-planned developments. A 10 percent to 15 percent floor area ‘bonus’ would be substantial.
  - Speed of permits processing. This is a common technique that can be adopted as an effective incentive. Careful identification of eligibility (jobs density, jobs-in-place time period commitments, etc.) should be the criteria for entry into expedited processing. Reduction of time and costs of waiting is the key incentive, particularly in a highly competitive market region.

- Public infrastructure assessment district funding. This financing technique will be essential in very large undeveloped property districts of Mesa, including the Southeast Areas. The need for shared financing responsibility (private and public) for very big public infrastructure projects is becoming evident; definition of the shares, methods, phases will help induce value and implementation capabilities.
- Financial ‘gap’ funding techniques. Adaptive reuse of larger existing properties can be stimulated with gap funding resources, intended to cover limited costs of property re-occupancy by new ventures. Mesa has already existing as well as oncoming plant floor spaces, retail shells, and other adaptive use properties that can be efficiently reused within the existing City infrastructure and municipal services frameworks.
- Explore creation of unique Economic Development Ventures fund by pledging a portion of the Utility sales tax. For example, a 5 percent annual commitment of City utility sales tax revenue to such a fund would create capacities to negotiate incentives to achieve higher income/employment development projects. In today’s funding scale, this would be equal to \$474,000± (as 5 percent of sales tax revenues from both Utilities and Communications based on 2000-01 fiscal estimates). Identification of this potential source is based upon the relative activity of its growth as the City itself grows. This concept has been defined in other cities challenged by low or no property taxes. An alternative incentives approach is the reduction of utility taxes via an explicit jobs term commitment agreement, which is annually evaluated. Such terms are often 10 to 15 years.
- *‘Off Campus’ EVIT classes/training in Mesa enterprises:* The next generation of ‘cooperative education’ could be launched in Mesa. ‘Middle technologies’ will retain major importance in virtually all-contemporary and next generation firms. Teaching/learning in firms or agencies ‘at the bench’, or the lab, or at the services location focused for the high school technology students, given the range of jobs in Mesa.

- *Initiation and expansion of viable business clusters:* Business and industry clusters which may be viable candidates for initiation by business groups and the City of Mesa are suggested for consideration as follows:
  - Aircraft servicing, retrofits, non-destructive testing, and freight/ cargo components manufacturing.
  - Building materials research and development, new products testing and manufacturing (focused on Sunbelt/Southwest markets) – as Mesa building products industries inevitably evolve.
  - Sustaining truck/auto vehicle parts/safety equipment/after market products cluster.
  - “Electronic Streets” related services, products, applications firms group.
  - Educational technologies standards, processes, products, teaching skills cluster.
  - Regional property renovation contractor/technologies/skills cluster.
  - Electronic records services/storage/protection/specialty programming group cluster.

Other nascent specialty clusters are likely to emerge, and may augment or replace this preliminary list. GPEC has recently defined five major cluster initiatives at regional scale; Mesa must take care to identify its unique strengths in those five clusters and also identify potentially vibrant local cluster groups which can achieve locational concentration within Mesa. The City should be prepared to nurture a cluster for 3 to 5 years so that it can develop scale, non-competitive/cooperative business plans, and capture more talent, more investment capital, and more market share.

- *Selection and formation of industry and business clusters (at least 4 to 6 in the next 4 years) in order to generate stronger competitive positions:* This process will not only have the desired effect of fulfilling the City’s quality job creation goals, but also provide opportunities to link with community image and identity. Identifying explicit clusters, with attention to evolving products and services will

be key – Mesa needs sharper focus for its clusters than the generic cluster types identified in the GPEC regional economic development strategy.

- *Stronger link with real estate community:* Information availability on multiple web-sites needs to be better inter-linked so that enhanced cumulative and positive portrait of availability and quality is constantly shown.
- *Seek re-concentration of community commercial, retail and services in a hierarchy of nodes:* Mesa is corridors; Corridors age rapidly. Mesa needs designated nodes, very consistent with the General Plan proposals. Mesa economic development must focus on nodes/ intersections. The City already has eight existing designated employment centers. This focus on nodes will also occur simultaneously in Mesa at already existing developed spaces, at large scale ‘new’ properties, and also at the new freeway ramps becoming available during 2002-2006.
- *Craft existing Economic Development progress reporting efforts at multiple scales:* For example, reporting is already expected at the Citywide and Council District scales and at the 8+ employment centers level (already done to some extent). The City will next be challenged to provide both new employment centers data (e.g. Power Road) and small area data for neighborhoods desiring revitalization.
- *Test ‘live/work’ models:* Mesa can lead an oncoming market with real estate product types which generate live/work office residences, lofts, and evolving office-at-home residence types.
- *Achieving the long-range Jobs Per Capita objectives in the General Plan:* Mesa wishes to grow and capture immense numbers of jobs in the City, striving to reach a ratio of .56 jobs per resident. This is compared to the contemporary ratio of .36 jobs per capita in Mesa. This is a major economic development goal; it will require placement of .96 incremental jobs in the City for every resident (equivalent to 3.46 jobs for every new housing unit). Mesa must therefore both catch up and go forward simultaneously. Fundamental measurable progress toward the objective will need to emerge in the next 5 years. In a very real sense,

Mesa's elected leadership and city management will be continuously focusing upon incremental achievement of the goal.

## **ORGANIZATION AND IMPLEMENTATION SCENARIOS OF SELECT PROGRAMS**

### ***Paired Development Concept***

The City of Mesa faces the challenge of stimulating sequential, balanced land use development and redevelopment. This is clearly defined in the Draft General Plan and also in the “growing smarter” legislation in Arizona statutes. Further evolution as a massive peripheral residential “rooftops-mass” is no longer acceptable to Mesa. Quality of opportunity for residents, for businesses, and for all its intended newcomers, requires an energetic policy and implementation technique which can literally pair residential units and job space development simultaneously so that value, quality, sustainable futures, and regional advantage can be achieved.

Accordingly, given the land use designation mix and the potential densities of development which are defined in the General Plan, it is imperative that the City also adopt a deliberate paired development policy which can correct the imbalance which has occurred during the past 30 years as Mesa became a mass residential community with retail and industrial complexes.

Opportunities for adjusting the balance have recently occurred with the initial reuses of Williams Gateway Airport as an all-new aerospace/aviation and educational cluster location. Similarly, industrial and office development in the Falcon Field environs offers the same near-term potential.

The General Plan designates thousands of acres for mixed-use development, which can include residential properties in careful adjacency with office, retail, institutions, and transportation services.

A paired development policy should be adopted by resolution of the City Council as an implementation technique designed to underpin the General Plan. The future value of Mesa for its residents, its businesses, and its existing employees and all of its institutions will rely on incremental achievement of the paired development policy.

For any meaningful policy there is a threshold at which the policy requires performance. It is suggested that the City consider cumulative increments of 200 dwelling units on either of two potential scales:

- Within a City Council district, of which there are now six
- Within a mapped 3- to 5-mile radius of an employment center

Either of these options would allow careful examination of mixed-use land designations along with the commercial, industrial, and institutional property development opportunities.

Two hundred new dwelling units could be translated into a requirement for 1.5 to 2.5 or more jobs per dwelling unit. This would be consistent with the General Plan objectives. Thus, if 200 dwelling units were cumulatively permitted in a designated area of the City, there would be a paired development obligation to create within an 18- to 30-month period job floor space for 300 to 500 employees, or a possible range of 150,000 to 250,000 square feet of floor area (utilizing a 500 square feet per employee potential norm).

This concept would be put into process and measured by the City Planning Department, the Development Services Department and the Economic Development Office. It is appropriate to focus the linkage of paired development in and adjacent to planning subareas and employment centers in Mesa. There will be further need for express clarity regarding how this process must be maintained and consistently pursued in the Southeast Mesa urban economic hub area which is greater than 20 square miles of space.

### ***Examples of ‘Paired Development’ Methods***

- Establishment of Specific Plan ordinances, which are more defined as to land use types and allocations than the General Plan. Specific Plans are usually negotiated with large landholder groups by the cities.
- Creation of Transit Oriented District (TOD) plans at and surrounding transportation hubs such as Light Rail Stations, Heavy Rail Stations, Airports, and Port/Cargo Transfer areas.
- PUD/PCD/Mixed Use Development Agreements, in which land use densities, developer infrastructure funding responsibilities, and phasing increments are negotiated. These agreements usually become ordinances and/or are recorded as binding with the property.

- Pre-annexation agreements can stipulate intended land entitlements, usually guided by the General Plan for the Municipal Planning Area.
- Community Plan adoptions within the context of the larger area General Plan can more clearly guide the desired outcomes in terms of employment centers, retail locations, residential densities, town and village centers, and public facilities. This does require extended years of planning and zoning discipline and consistent protection of the plan by Planning Commissions and City Councils.
- Unforeseen coincidental convergences of challenges often do lead to “paired development” policies in order to overcome problems such as:
  1. Sewer moratorium
  2. “Save Our Agricultural Resources” or “Save Our Open Space” ballot measures
  3. More precise and localized air quality management standards seeking lesser emissions by land use districts
  4. Incremental impact fees making mixed use more attractive and valuable than total commitment to “rooftops” (residential)
  5. Creative adaptive reuses of former larger light industrial or failed retail centers, in which live-work, small business clusters, and public facilities can be mixed

### ***An Example of the ‘Paired Development Concept’ Application***

The City of Sacramento adopted the North Natomas Community Plan in 1985 and revised it in 1997. It is the primary new development area of the City and features a balance of land use including residential, town center, retail, employment centers and limited industrial. The area is bounded by and traversed by the I-5 and the I-80. The City continues to receive requests for General Plan changes and zone changes to allow “intercept” retail/big box developments at the major freeway off ramps. One was approved in 1998, but the City Council has maintained the Community Plan since that time in order to assure the success of retail land uses designated for either side of the town center – which has subsequently been master-planned. Thus, by maintaining the balance of land uses, the City has held to the jobs/housing balance it intends and has supported the long-term objectives of the town center mix.

## **PROGRAM INITIATIVES**

Seven new program initiatives are next described. Mesa presently has few economic development tools. The City has relied heavily upon available real estate and peripheral growth capture. Now Mesa must select deliberate techniques which can deliver the objectives and measurable improvements defined via the General Plan. A common format has been used to define each of the seven proposals.

### **1. *EXPEDITIOUS DEVELOPMENT PERMIT PROCESSING***

**BRIEF DESCRIPTION:** The intent is to save time in permit applications, processing, and approvals. The opportunities lie primarily in "bench and counter" administrative procedures (not in advertised public hearings). Selected "Economic Development Cases" can be targeted for advocacy when multiple and complex series of administrative approvals are needed.

**PROGRAM OBJECTIVES:** The City should be able to offer a lesser "cost of waiting" for development approvals. This can improve its competitive position in the region. The City should define time savings for both new build and rehabilitation/ adaptive uses. Target two- to five-day cost of waiting improvements. Upgrade existing "e permits" processes and permit fee clearances via e-mail communications.

**CITY AUTHORITY:** This is a City initiative; it can be mandated after careful study, systems tests, and determination of City government benefits as well as owner/developer/contractor benefits. "Economic Development Case" use will need public policy support authority from City Council.

**EXAMPLE "CASE" AND INTENDED RESULTS:** "Re-roof" certificate, in lieu of building permit logistics for existing properties.

- A) "E permits" procedures to reduce public counter visits.
- B) Property compliance screen check through City's evolving GIS systems.
- C) 25 to 45 "Economic Development Cases" per year, with assigned Development Services expeditors.

**CITY IMPLEMENTATION RESPONSIBILITY:** Mesa City Building and Safety Department, part of Development Services. Advocacy for "Economic Development Cases"



from CED. City Planning involvement where public counter and administrative approvals are required.

PROGRAM COSTS (Estimate April 2002): Any system(s) should be designed for cost recovery and for City cost efficiencies. Consistent investment in evolving systems could be targeted at equivalent to 2 to 4 percent of permit revenues per year (not including impact fees), or between \$100,000 and \$200,000.

FUNDING SOURCES AND USES: Funds allocation to support the effort would come as an annual program appropriation from the General Fund, although, in essence, it would be supported by a modest portion of development permit fees.

SCHEDULE FOR IMPLEMENTATION: Recommended for initiation in FY 2004 (July 1, 2003 - June 30, 2004).

## 2. ***PROPERTY CLEARANCE INCENTIVES***

BRIEF DESCRIPTION: Provide a potential and limited inducement to property owners with vacant/ obsolete structures, yards, and parking areas in order to encourage demolition and repositioning as available buildable property.

PROGRAM OBJECTIVES: There are significant large properties in Mesa, now vacant, which were previously "big box" retail, light industrial, and large yard uses. Most are located in West Mesa, in fully served urban areas, and sited on primary arterials. Effective reuse of these properties will revitalize the areas, re-attract employment, and capture reinvestment.

CITY AUTHORITY: This program will be a City initiative. It must be declared an economic development public purpose program and not be a private betterment/gift of public funds. City purposes can include (a) employment location development, (b) removal of non-complying/obsolete improvements, and (c) community revitalization.

EXAMPLE "CASE" AND INTENDED RESULTS: Clearance of 400,000 square feet of floor area (at .25 FAR) from 36.75 acres can provide an opportunity for more dense research and development, for an office park, for a themed retail center, etc. The City might offer limited funding support in terms of interest cost write down on the demolition loan, plus rebate of demolition permit fees, and recover the funds from property sale or financing of the new development.

CITY IMPLEMENTATION RESPONSIBILITY: This is an Office of Economic Development program which can be framed, marketed and carried forward with the clear intent of stimulating private redevelopment of the properties which are assisted.

PROGRAM COSTS (Estimate April 2002): Recommend initiation at \$100,000 per year, with loan repayment proceeds being recommitted to additional property clearance agreements. Programs can be capped at \$1.0 million in commitments at the fifth or seventh year, with reimbursements becoming a revolving program.

FUNDING SOURCES AND USES: Recommend "investment" of municipal utility enterprise funds annually. This program will yield additional utility service demand and revenue, and will essentially then pay for itself.

SCHEDULE FOR IMPLEMENTATION: The program should be further defined and recommended by the Economic Development Advisory Board (EDAB) for adoption by the City Council. Program initiation could occur in FY 2004 (July 1, 2003 - June 30, 2004). Note that the City will avoid any and all liability concerning any property conditions mitigation — which will be the sole responsibility of the owner.

### 3. ***PUBLIC INFRASTRUCTURE ASSESSMENT DISTRICT FUNDING***

BRIEF DESCRIPTION: Formation of public infrastructure assessment districts which benefit property opportunities, and in order to bring the General Plan and Economic Development Strategy to implementation. This technique will be in addition to the commitment of impact fees and City utility extension capabilities. An assessment district does engage present (and oncoming new) property owners in responsibility for funding quality.

PROGRAM OBJECTIVES: The City and major property owners are challenged to finance the timely delivery of superior quality public infrastructure in Mesa. New lands/"Greenfields" will likely require this funding technique. It is also viable in areas undergoing private redevelopment. There is an opportunity to achieve results in the near term which will support job growth in Mesa. The City can partner its utilities extension capabilities in the process.

CITY AUTHORITY: The City has general authority under Arizona state statutes. (The benefit assessment district and public infrastructure assessment funding techniques are in use

by local government jurisdictions throughout Arizona.) The City adopted new policy in March 2002 concerning use of assessment districts.

EXAMPLE "CASE" AND INTENDED RESULTS: Larger master planned and mixed use property clusters and districts distant from existing City infrastructure need funding techniques to assure timely delivery of "main-stem" public rights-of-way, public facilities, and (in some cases) capacities to pay for annual costs of maintenance after construction.

CITY IMPLEMENTATION RESPONSIBILITY: The City of Mesa needs this funding tool, and must market and technically advise about its reasonable usage. The initiation of implementation will usually occur at the time of negotiating land use entitlements. The City Manager, Finance Director, Development Services Director, and others are essential members of the City team.

PROGRAM COSTS (Estimate April 2002): Formation of new assessment districts varies in costs depending on the scale of the property area, the intended size of bond debt, and the various coverages and possible insurance. There are ranges of formation costs from \$100,000 to \$500,000, depending on complexity. It makes sense to form a district requiring more than \$5.0 million of infrastructure investment.

FUNDING SOURCES AND USES: The City will most likely partner with major developers and property owner groups in the formation of infrastructure assessment districts. The City will offer technical assistance in the formation of the districts. The City will partner in the extension of utilities. The property owners (and new buyers of developed product) will pay assessments for infrastructure installed (less impact fees invested).

SCHEDULE FOR IMPLEMENTATION: Mesa has already (recently) begun initiation with larger properties to form such assessment districts. It is anticipated that the technique may be used around Falcon Field and in the very large (20 square miles) Southeast Mesa Urban Economic Hub area of southeast Mesa during the next five and ten years and beyond.

#### 4. ***SELECTIVE BONUS DENSITIES TO INDUCE DEVELOPMENT***

BRIEF DESCRIPTION: Provide inducements to selected opportunity locations to increase job densities in new and existing development locations by raising floor area ratios by 10 percent to 15 percent if jobs floor space is committed via development agreement.

PROGRAM OBJECTIVES: Mesa needs to stimulate quality jobs growth in its employment centers and its upcoming new high visibility locations. The City presently has a lower jobs per resident (or jobs per household) ratio in its region as compared to other communities. Careful identification of the locations and the potential "bonus" floor area ratio increments, consistent with the General Plan, can improve property opportunities and resultant development/employment density performance.

CITY AUTHORITY: This program can be consistent with the General Plan employment objectives, and with the Growing Smarter legislative mandates. It will be consistent with Williams Gateway Airport development, light rail Transit Oriented District (TOD) area development, and with the Downtown Redevelopment Area.

EXAMPLE "CASE" AND INTENDED RESULTS: A property opportunity at the U.S. 60/Santan/Red Mountain Freeway interchange (a corporate flag landmark) could be induced to create 287,500 square feet of employment space (via a 15 percent bonus), instead of 250,000 square feet. This could be equivalent to another 90 to 130 employees, depending on floor space design efficiencies.

CITY IMPLEMENTATION RESPONSIBILITY: The designation of opportunity locations can be proposed by City Planning and the Office of Economic Development, and approved by City Management and City Council, with appropriate findings of conformance with the General Plan. Development Agreement guidelines defining the standards of performance in return for the bonus density should be created by the Planning Department/the Office of Economic Development working together.

PROGRAM COSTS (Estimate April 2002): City staff effort to develop the incentive program, essentially an entitlement bonus, may require about \$50,000 of staff time. The City will earn that back multiple times as developments occur.

FUNDING SOURCES AND USES: City budgeted task for the next fiscal year, FY 2003 (July 1, 2002 - June 30, 2003). This is a follow-on task for implementing the General Plan.

SCHEDULE FOR IMPLEMENTATION: Recommend that implementation activity begin after adoption of the General Plan in November 2002. The locations map and development agreement format could be available for City Council consideration by May 2003.

## 5. ***ECONOMIC DEVELOPMENT VENTURES FUND***

BRIEF DESCRIPTION: To assist small and medium sized firms with high growth potential to remain and expand in Mesa. The City could stimulate these results by supporting private sector/venture capital business development low interest rate write-downs (from, say, 9 percent to 6 percent) on a one-time basis, with reimbursement in a fifth to tenth year later period.

PROGRAM OBJECTIVES: The greatest number of new jobs are consistently generated by small and medium sized businesses. Mesa needs a program that provides viable assistance to firms at this scale. The City should clearly encourage new technology type firms to stay and grow in Mesa. The City could identify an annual prospect targeting range of 15 to 20 such firms, intending to complete stimulus packages for five per year.

CITY AUTHORITY: This is a City initiative. The objective is quality jobs development and the support of emerging business/industry clusters. The intent is to establish a long-term revolving fund which can continue to offer incentives.

EXAMPLE "CASE" AND INTENDED RESULTS: Assist a seven-employee firm in a secure market niche seeking expansion (doubling) in the information/records storage software area. Venture capital firms want 9 percent interest rate plus 30 percent equity; the firm wants an affordable loan (6 percent). The City provides one-time interest rate write-down commitment (\$150,000±) with repayment after the fifth year. The firm grows to 15 employees, with an added payroll of \$520,000 annually, remains in Mesa, and develops an additional software line.

CITY IMPLEMENTATION RESPONSIBILITY: The Office of Economic Development could develop the program and operate its multi-year implementation. Semi-annual reviews of results would be reported to City Council.

PROGRAM COSTS (Estimate April 2002): A \$500,000± annual investment, from a 5 percent commitment of utility sales tax proceeds to the City, would lead to a \$2.5 million portfolio by the fifth year, and (if successful) to further portfolio growth.

FUNDING SOURCES AND USES: The City's utility sales tax proceeds will grow substantially as the City grows. This identified/proposed-funding source connects well with the City's economic development objectives. Jobs growth by multiple small firms will pay back the City's costs of the initiatives as firms purchase more utilities services.

SCHEDULE FOR IMPLEMENTATION: Develop the program during FY 2003 (July 1, 2002 - June 30, 2003). Market and initiate the program commencing in FY 2004. Conduct formal review of results in FY 2005; maintain annual investment contributions for at least five years and beyond. Ultimate goal could be a \$10 million revolving loan participation fund, with 50+ percent participation by local lenders/venture capital firms and nonprofit foundations in Mesa.

## **6. *PROPERTY REUSE DEVELOPMENT "GAP" FUNDING***

BRIEF DESCRIPTION: Provide financial packaging assistance and limited City participation in covering "gap" funding needs for reuse of existing vacant major structures within Mesa. The Office of Economic Development can assist in connecting local and regional lenders and venture capital firms, and provide selected City inducements which assist the reuse.

PROGRAM OBJECTIVES: Presently, vacant and upcoming vacancies provide opportunities for adaptive use. Mesa needs to be pro active in stimulating reuses where structures have flexibility and value. The City can assist in reuse of major vacant and soon-to-be-vacant properties (e.g., old COSTCO, upcoming Motorola plant vacancy). The intent is to capture new jobs and business volumes at such properties. The challenge will be ongoing as economic changes continue.

CITY AUTHORITY: The City must declare the public economic development purpose of the program, define guidelines, and select/commit potential funding sources. The City will also reach out to involve local and regional lenders in order to gain higher visibility for the prospective reuses.

EXAMPLE "CASE" AND INTENDED RESULTS: Reuse of Motorola plant facility after closure in 2003. Assume a 125,000-square-foot structure requiring \$15 per square foot in retrofit/rehab plus 25 percent for A&E, permits, etc. This equals \$2.4 million. The City can provide utilities upgrade assistance, perimeter infrastructure repairs, and may assist with

lender interest rate write-down. A new R&D type tenant, at 600 square feet/employee might establish 208 jobs in Mesa.

CITY IMPLEMENTATION RESPONSIBILITY: The Office of Economic Development, working with Development Services, will lead the effort. The City can help the owner to enhance property marketing (sale or lease), define any public infrastructure modifications, upgrade municipal utility services, expedite permits processing, and potentially assist in a limited way with construction interest rate write-downs — with repayment after five years, or when permanent financing on the retrofit/rehab closes.

PROGRAM COSTS (Estimate April 2002): The City should establish a goal of committing \$500,000 per year for the effort, for a five-year program. Funding sources can include EDA grants, commitment of utility sales taxes via City Council appropriations, and potential retail sales tax sharing if the reuse is a retail activity.

FUNDING SOURCES AND USES: The City should assemble multiple sources, as defined above, with emphasis on capture of grants and loans/loan guarantees from external sources – based on the reuse type and the strength/quality of the development project.

SCHEDULE FOR IMPLEMENTATION: Establish program guidelines and policy during FY 2003 (July 1, 2002 - June 30, 2003); fund in FY 2004. The Office of Economic Development should establish a target of four to seven property conversion assistance packages per year.

7. ***PLANNING AND ECONOMIC DEVELOPMENT DISTRICT MANAGEMENT  
FOR THE SOUTHEAST MESA URBAN ECONOMIC HUB (2002-2010+)***

BRIEF DESCRIPTION: This effort will be an ongoing initiatives process combining master planning, annexation negotiations, infrastructure funding, development agreements, and utilities extension phasing programming. The City will commit an explicit management team to the multi-year evolving effort. The intent is to achieve essential quality of new development in the 20+-square-mile area of southeast Mesa, and to combine all the stakeholders, governments, and entities in pro-active management of the community building process.

PROGRAM OBJECTIVES: To obtain the desired balance of land uses, economic activities, business volume strengths, job opportunities, and signature of City and deliver the vision

established in the General Plan and the multiple plans and strategies which now overlie each other.

CITY AUTHORITY: The City has authority for all of the efforts and initiatives. It needs cooperation from Maricopa County, the Williams Gateway Joint Powers Authority, ADOT, FAA, the multiple school districts, the landholders, residents, and adjacent cities. This would be the City's first commitment to a consistent, continuing, large-scale district development management effort.

EXAMPLE "CASE" AND INTENDED RESULTS:

- 1) Avigation rights must be established.
- 2) GM Proving Grounds land use allocations and annexation must be completed.
- 3) ASU East growth at Williams Gateway Campus must be energized and accommodated.
- 4) State highway(s) access to and through the district from Pinal County must be achieved.
- 5) Infrastructure financing must be delivered.
- 6) "Paired development" must be accomplished.

CITY IMPLEMENTATION RESPONSIBILITY: The effort must be led by the City Manager's Office, as is the present situation. The area lies within the Sixth Council District. A Hub District Programs Manager, probably a deputy city manager, will be needed to coordinate all of the City initiatives, negotiations, and implementation activities.

PROGRAM COSTS (Estimate April 2002): A modest staff costs increment will be needed, to be committed during the next fiscal year (July 1, 2002 - June 30, 2003). An annual allocation range of \$150,000 to \$200,000 is suggested. The existing City organization and staff profiles will deliver all of the necessary City agency support, as is presently the case.

FUNDING SOURCES AND USES: An appropriation to the City Manager's Office from the General Fund and (if appropriate) from the Enterprise Funds and impact Funds which will deliver utilities and infrastructures.



SCHEDULE FOR IMPLEMENTATION: This initiative is consistent with the General Plan and the multiple City plans and strategies, and the current designation of the Project Manager for the Williams Gateway Area of Regional Employment Activity (WGAREA). It should commence in late 2002. Essentially, the City is acknowledging and expanding the scope of its responsibilities.

## **Section VII**

### **ORGANIZATION, MANAGEMENT AND PERFORMANCE MEASURES**

#### **ECONOMIC DEVELOPMENT “PORTFOLIOS”**

Based on all of the foregoing recommendations, it is clear that the City of Mesa will be challenged to commit resources to increase the level of initiative activities necessary for deliberate implementation of follow-through activities. The recommendations concerning organization and management for economic development which follow hereafter are based on a careful assessment of contemporary resources, staffing, and the need for a focus of responsibility for measurable attainments.

Contemporary discussions during the formation of the proposed General Plan, as well as during the evolving fast-paced economic development events of 2001/2002, help to frame a series of proposals for improvement of organization and management and resource commitments.

The City Office of Economic Development may wish to consider moving toward a "portfolio" management technique which would involve a clear distribution of economic development caseload assignments among the professional staff. Most large and growing cities have adopted this technique in order to get ahead of the response standards and to clearly take initiatives and move toward targeted results. The "portfolio" system would involve the designation and delegation of multiple caseload responsibilities to individuals with clearer target objectives. For example, an economic development associate would carry a portfolio composed of the following:

- Two or more of the employment centers as clear program space/initiative areas of the City.
- One-business/industrial groups cluster initiation and nurturing responsibility.
- Twenty-five selected new target economic development cases involving a range of business retention, business expansion, and recruitment of new businesses/industries into the City of Mesa per year.

Thus, in the current context, four economic development associates/project managers would be necessary in the contemporary city. This might grow to six or eight individuals as the community continues to rapidly expand. In addition to the assignment concept suggested above, uniquely qualified and experienced individuals would continue to carry the functional expertise which they have already developed or are in the process of improving. This would include such talents as:

- Generic marketing outreach initiatives and campaigns
- Real estate market trend knowledge and dissemination
- Focused development agreement process technical support
- Annexation process expertise
- Fiscal and economic impact analyses
- Consultant contract management and administration
- Airports, aerospace, air services marketing and capture, etc.

This "portfolio" management concept can be incrementally introduced over a two- to three-year period as the City ramps up its economic development initiatives. It should be seriously considered, given the accompanying recommendations regarding new economic development incentive techniques.

## **Table VII-1 – An Example Portfolio**

### **Employment Center Assignments:**

- Falcon Field and Environs
- Red Mountain Corridor/Northwest Mesa

### **Business/Industrial Cluster Assignment:**

- Aerospace Specialties

### **Economic Development Caseload Assignment Types:**

- Dover Industrial Park Potential Tenant Inquiry Response
- Longbow Phased Development Agreement Comparables Research
- On the Job Training resources Identification for Falcon Field Tenants
- Wal-Mart Traffic Signals Resolution (Advocacy)
- Salt River Plan(s) Update Report to Council
- Maintain ‘Multi Purpose Facility’ Adjacent Land Use Working File for City Manager’s Office
- Mesa GIS Map Support to the Major Brokerages in Maricopa County
- Potential Office Park Tenant Types and Prospects Team Leader Within OED for City
- Semi Annual Report on Economic Development “Cases” and Jobs/Capita (Paired Development) Tracking Goals for Falcon Field and Red Mountain Corridor Employment Centers

## **DEFINITION AND INITIATION OF EMPLOYMENT CENTER HIERARCHIES**

For nearly 20 years, the City has focused on evolving employment centers. These can be mapped, described, and measured year over year in terms of economic development implementation delivery. The firms and establishments located in these employment centers do have strong interest in sustained, evolving, and timely repositioning and market competitive re-characterizations.

There are eight such established/identified employment centers. They do not have an explicit project manager from an economic development perspective nor do they appear to have a simultaneous assignment technique in other city entities engaged in development processes and services. It is recommended that a City multi-agency working task force, led by economic development, define a more comprehensive services approach which can better coordinate economic development, planning, utilities, public works delivery which will result in measurable employment gains in each of the centers.

It is noted that Phoenix has been pursuing this process itself for more than 15 years and has a somewhat common vocabulary with other City of Phoenix agencies and departments regarding this ongoing procedure.

Mesa is already focusing explicitly on two areas, including Falcon Field and environs and also the Williams Gateway Airport area and adjacent places, now being identified more ambitiously as the Southeast Mesa urban economic hub. Additionally, the city has recently been engaged in a series of all-new focusing on the Red Mountain Freeway/ northwest Mesa potential employment center as a part of the 'Multi Purpose Facility' discussions and with the realization that unique new regional locational advantage lies at this series of property redevelopment opportunities.

## **INITIATION OF BUSINESS AND INDUSTRY CLUSTERS**

In the context of both regional economic development planning, led by GPEC, and the more precise configuration of potential business and industry cluster groups by the City of Mesa, it is apparent that the City needs to move beyond discussion into strategically selected initiatives to help form and nurture such clusters.

During the next five years, the City's economic development office should initiate four to six clusters with the deliberate intention of building unique strengths which will grow positive business volumes, higher quality employee cadres, and attract similar types of industries and business services to the individual clusters, thus raising the specialty activities for which Mesa should be distinctly known in Arizona, the Pacific Southwest, and nationally.

The industrial clusters concept began in eastern Pennsylvania as the Lehigh Valley Process in the early 1970s. The intention was to gather firms and services that were slowly evolving and were challenged by changes in metals products industrial business volume demand, tax and labor laws, perceptions of aging, and overall rising costs of doing business. The process began as a collecting of stakeholders who found they were not individually competitive and had common problems without common determination or experience in larger scale resolution. Without offering explicit additional incentives or massive legislative or tax or employment standards changes, the State of Pennsylvania, the local universities, and business leaders began to cooperatively seek the development of positive business plans for individual clusters. Examples included:

- Special alloy metal products
- Machine tools

This process suddenly leaped into central New York where a series of firms had long specialized in simulation trainers and robotics applications for training. Over the next ten years, the concept of industrial clusters, individually making their own cooperative business plans, establishing an explicit series of strategic initiatives which could influence legislation, tax structures, evolving environmental standards, business to business cooperation, and other commonly shared objectives, moved west.

Phoenix began the initiatives in the middle 1990s, initially concentrating on software. Today, GPEC, now engaged for three to four years in the idea, has identified five primary cluster groups and an additional number for further consideration.

Prior versions of this economic development strategy for Mesa, including commentary in the economic development element of the General Plan, have identified more specific business/industrial clusters which fit both strengths and evolving opportunities within the City.

It is clearly the City's responsibility to implement explicit clusters within Mesa. While it is fine to provide the "windshield of opportunities" at the regional level, the City must carefully select and deliberately initiate a clusters process which can be measured in terms of results within three to five years.

A cluster initiative is not necessarily real estate based. It is a much more strategic and widespread process which engages existing and evolving firms and establishments. While the City may initially lead in terms of assisting in the early gathering of cluster participants, ultimately the cluster will shape its own leadership, its own strategic business plan, and its own implementation objectives, with continuing City partnership.

This initiative would be the first time the City of Mesa has stepped into an economic development environment in which many of the outcomes are not necessarily expressly known at this time. The effort is clearly a stimulative one which will engage selected City staff on an intensive basis. Leadership groups from the clusters would be expected to emerge and to carry forward explicit agendas which would be aimed at multiple levels of governments and within the individual cluster business cadres.

## **RETAIL CAPTURE FUTURES**

As the retail markets have continued to self dilute while the east valley markets have expanded with the ongoing low-density spread which is common to Maricopa County, dominant retail clusters have lost their presumed increased draw. Travel times have lengthened; goods and services have evolved with new providers and "shop for value" price differentiation. Communities on the periphery of Mesa have advanced in scale and density and median household incomes, demanding more accessible retail clusters.

Mesa, with two very substantial super-regional mall districts to which power centers and retail/dining/entertainment uses have clustered, should have a high level of energy in supporting market retention, market evolution, and step-ups in quality, accessibility, and match with evolving sociodemographics.

One of the "portfolio" responsibilities which the Office of Economic Development should include will be a retail markets and locations specialist who can work consistently in this key area. Nothing resonates in the City's budget more obviously than the retail sales tax revenue expectations. The retail markets strategy is key to the near term of

five and ten years for Mesa as it continues to grow and to move toward the Southeast Mesa urban economic hub development opportunities. It is therefore recommended that distinct retail specialization and case methodology be established within the Economic Development Office.

### **OTHER ORGANIZATIONAL INITIATIVES**

- There is a clear need to name and theme the Southeast Mesa urban economic center with a title that clearly says Mesa.
- Need to standardize and expand internal database for tracking programs.
- Augment Economic Development office capacity to report/update/lead commissions, elected officials, other local governments and regional entities. Move beyond one prime staff person to handle corporate locate activities.
- Continually examine and strengthen relationships with the Office of Project Manager for the Williams Gateway Area of Regional Employment Activity (WGAREA), Williams Gateway Airport Authority, Mesa Chamber of Commerce and Mesa Convention and Visitors Bureau.

### **ECONOMIC DEVELOPMENT PERFORMANCE MEASURES**

- Maintain monthly and annual transactions/investments.
- Generate data at Citywide and Council district scale.
- Consistently measure and report jobs/housing balance.
- Estimate job income movements.
- Estimate retail sales periodically.
- Track and publish commercial and industrial property values, rents.



- Track and publish residential property values, median home prices by subarea, apartment rents.
- Track labor pool educational attainment and technology competence vis-a-vis local labor market needs.
- Oversight role of Economic Development Advisory Board, Mesa City Council.

## **Appendix A**

## **ECONOMIC DEVELOPMENT GOALS, OBJECTIVES, AND POLICIES**

The long-term economic development strategy for Mesa must be dynamic and allow the City to continually reposition itself as multiple economic activities evolve. The goals, objectives, and policies stated below are based on the following overall economic development vision.

**Economic Development Vision:** To be a city that raises and maintains the standard of living and quality of life for its residents as a result of actions by business, government, and the community that attract, retain, and sustain dynamic enterprises.

### ***Goal ED-1***      **Foster and sustain long-term economic growth for the City of Mesa.**

**Objective ED-1.1**      Increase and maintain Mesa's employment to population ratio to at least the top quartile of Maricopa County communities by attracting and retaining competitive and quality jobs.

- Policy ED-1.1a      Proactively market the City of Mesa to prospective employers and businesses seeking to expand or relocate in the metropolitan Phoenix area.
- Policy ED-1.1b      Target recruitment efforts at companies which bring high quality, value-added jobs to the community.
- Policy ED-1.1c      Focus recruitment and retention efforts in key employment sectors established as priority clusters in Mesa.
- Policy ED-1.1d      Promote Mesa as an excellent location for regional or local corporate headquarters.
- Policy ED-1.1e      Promote Mesa as a location for international business and trade.

**Objective ED-1.2**      Diversify City government's current and future fiscal resources to support community needs.

- Policy ED-1.2a      Continue to monitor public revenues (i.e. development fees, intergovernmental transfers, property taxes, retail sales receipts, utility revenues) for signs of competition and weakness in order to develop sound projections and economic development strategies.
- Policy ED-1.2b      Continue to assess the City's major infrastructure needs to determine financial alternatives for funding those improvements.
- Policy ED-1.2c      Establish procedures for on-going evaluation of local development fees, including, but not limited to, impact fees.

- Policy ED-1.2d Consider creating a set of economic impact models to evaluate relevant trends and financial implications related to growth in population and City revenues.
- Policy ED-1.2e Consider the development and utilization of a realistic fiscal impact model for all new development as deemed necessary.
- Policy ED-1.2f Continue to use appropriate economic development tools, including financial and infrastructure incentives, to promote employment growth.

**Objective ED-1.3**    Expand Mesa’s retail business base and strengthen its retail position in the East Valley.

- Policy ED-1.3a Promote well-planned residential development that supports existing regional and community-level retail centers.
- Policy ED-1.3b Promote appropriate residential densities in specific locations to support retail development.
- Policy ED-1.3c Promote the location of “big-box” retail facilities on sites that are strategically positioned to minimize sales tax leakage, but do not promote incompatible neighboring land uses.
- Policy ED-1.3d Provide appropriate incentives to attract regional and community-level retail centers to Mesa.
- Policy ED-1.3e Encourage a proper balance between residential and commercial land uses to provide the optimum support for retail development, consistent with targeted jobs per capita ratios.

**Goal ED-2**        **Identify and prepare strategic locations for economic growth.**

**Objective ED-2.1**    Support the development of the key employment centers/corridors found throughout the City.

- Policy ED-2.1a Promote the development of an efficient combination of mixed uses at the employment centers/corridors.
- Policy ED-2.1b Through the use of public and private funding mechanisms, provide the infrastructure needed to support mixed use, high intensity development within the employment centers/corridors.
- Policy ED-2.1c Use incentives to attract high quality commercial and industrial development to the employment centers/corridors.
- Policy ED-2.1d Continue to promote, improve, and protect transportation related employment centers/corridors including Falcon Field Airpark, Power Road Corridor, Red Mountain Freeway corridor, Superstition Freeway

Corridor, Union Pacific Railroad Corridor, and the Williams Gateway Airport.

- Policy ED-2.1e Encourage the continued development and revitalization of office and retail centers within the Mesa Town Center, Fiesta Quadrant, and Superstition Springs.
- Policy ED-2.1f Provide a wide range of industrial land types to support a variety of industrial uses. In particular, maintain an adequate supply of freeway-oriented, as well as aviation-related industrial property.
- Policy ED-2.1g Encourage the development of building space for small and medium sized companies by working with local real estate companies, brokers, and developers.

**Objective ED-2.2** Develop comprehensive transportation, communication, and infrastructure systems to ensure efficient movement of commerce and information.

- Policy ED-2.2a Continue to lobby the Arizona Department of Transportation and the Maricopa Association of Governments for freeway system funding.
- Policy ED-2.2b Consider alternatives for funding of the primary roadway system, particularly those segments that provide access to Williams Gateway Airport.
- Policy ED-2.2c Encourage adequate public facilities, including transportation and communication systems, to be completed prior to or in concurrence with new development.
- Policy ED-2.2d Continue to facilitate broad access to new telecommunications and information technology applications.
- Policy ED-2.2e Create and implement strategies designed to establish Mesa's reputation as one of the nation's "most wired communities".
- Policy ED-2.2f Encourage the extension of utilities to underserved industrial areas through the use of public and private financing mechanisms such as, but not limited to, improvement districts, community facilities districts, municipal bonds, general municipal revenues, developer impact fees, exactions and other financing alternatives.

**Objective ED-2.3** Support the continued development of the Williams Gateway area as a center of regional economic activity.

- Policy ED-2.3a Assist in marketing and promoting the Williams Gateway Airport Employment Center to targeted national and international firms and businesses.
- Policy ED-2.3b Continue to provide resources to support the operation of the Airport.

- Policy ED-2.3c Support the long-term capital improvement and infrastructure needs of the Williams Gateway Airport Employment Center
- Policy ED-2.3d Actively recruit new investment that will utilize Foreign Trade Zone #221 at Williams Gateway Airport.

**Goal ED-3**      **Utilize the competitive advantages of the City and region to promote Mesa as a community where people may live, learn, work, shop, and play.**

**Objective ED-3.1**      Develop and maintain local, regional, national, and international alliances to advance Mesa’s economic development strategy.

- Policy ED-3.1a Consider using local utility companies, including municipality-owned utilities, as an integral part of the economic development strategy.
- Policy ED-3.1b Coordinate economic development strategies with other East Valley cities, as well as county, state, and regional agencies.
- Policy ED-3.1c Relate local economic development strategies to the regional, national, and international economies.
- Policy ED-3.1d Support and maintain a strong, cooperative relationship with economic development allies in order to develop leads for business recruitment and to further economic development efforts.
- Policy ED-3.1e Promote and strengthen relationships with the Mesa Sister Cities Association.
- Policy ED-3.1f Position the Mesa/Pinal County Water Farm as an attractive site for international commerce within the CANAMEX Trade Corridor/NAFTA.

**Objective ED-3.2**      Support a comprehensive educational system to produce a competitive workforce that supports the employment centers/corridors.

- Policy ED-3.2a Provide for the expansion and development of career and technical education through public and private efforts.
- Policy ED-3.2b Strengthen linkages with educational institutions to enable local businesses of all sizes to better capitalize on training and business development programs.
- Policy ED-3.2c Work with the business community to establish a strong and continuing relationship with local school districts, private educational institutions, community colleges, and Arizona State University.
- Policy ED-3.2d Provide support for the educational component of the Williams Campus, which is located adjacent to Williams Gateway Airport.

- Policy ED-3.2e Identify Mesa's knowledge assets (research and knowledge development institutions, technology commercialization and transfer programs, innovative and entrepreneurial companies) and coordinate efforts to connect those resources and promote a knowledge-based economy.
- Policy ED-3.2f Create partnerships with community service providers to promote and increase the availability of training and technical assistance programs for small and medium-sized businesses in the areas of finance, accounting, public relations, marketing, and similar specialties.
- Policy ED-3.2g Tap into the region's workforce development network to assist displaced workers in obtaining good training and high-paying replacement jobs in an expeditious manner.

**Objective ED-3.3** Expand the hospitality and tourism industry to position Mesa as a destination location.

- Policy ED-3.3a Promote the development of high-quality hotels and destination resorts in Mesa through the Mesa Convention and Visitors Bureau, with assistance from the Mesa Chamber of Commerce, Office of Economic Development, and others.
- Policy ED-3.3b Develop programs and marketing strategies to attract tourists to the Mesa area.
- Policy ED-3.3c Promote the Mesa Arts Center and the Mesa Indoor Aquatic Center as vibrant regional and national facilities of culture and recreation.

**Objective ED-3.4** Maintain a well-rounded community in terms of recreational, cultural, educational, and healthcare opportunities (original objective 1.9)

- Policy ED-3.4a Support the expansion of the City's parks and recreational system and facilities.
- Policy ED-3.4b Support efforts to expand the number and quality of cultural opportunities within the community.
- Policy ED-3.4c Continue to support neighborhood schools and linking recreational areas and parks to the school sites.
- Policy ED-3.4d Support enhancements of Mesa's excellent health care system.

## **ECONOMIC DEVELOPMENT STRATEGY: SOURCES OF REFERENCE**

The formulation of this strategy also takes direction from the findings and conclusions of a number of contemporary research endeavors carried out by other independent academic and institutional entities in the region. These include:

1. The Morrison Institute for Public Policy at ASU: Over the last two years, the Morrison institute has published to very relevant research documents in its *Policy Choices* series, that provide valuable direction in making regional and local economic development policy choices. These are:
  - a) *Arizona Policy Choices for the New Economy (2000)* – The increasing dynamism in our economic environment often baffles public policy makers when the time comes to make long term choices for a region or local jurisdiction. After evaluating the ‘hard facts’ and considering the various ‘intangibles’ and unknowns, the Morrison Institute developed a list of eight important characteristics of the new economy that cannot be ignored while making public policy decisions in Arizona. These characteristics have played a key role in identifying and developing strategic initiatives for the City of Mesa. The eight characteristics are:
    - Technology is a given
    - Globalism is here to stay
    - Knowledge builds wealth
    - People are the most important raw material
    - There is no such thing as a smooth ride
    - Competition is relentless
    - Alliances are the way to get things done
    - Place still matters – but for different reasons
  - b) *Five Shoes Waiting to Drop on Arizona’s Future (2001)*– As a follow up to the above document, the Morrison Institute has recently published a research paper describing the five most critical challenges that Arizona will face unless



proactive actions are taken by policy makers to deal with them. This set of regional challenges are also critical while making local policy choices, and economic development management can take direction from them in the strategy formulation process. The five ‘shoes’ are identified as:

- Talent Shake Up – Talented workers are extremely mobile, and it is hard work to attract at retain them in a region. The labor pool we have today may not be there tomorrow, or may not match the skills needed by oncoming growth industries. Quality of life is the key to retention and attraction of talented labor pools.
- Latino Education Dilemma – Latinos form a substantial part of the state’s population<sup>1</sup>, but have the lowest performance in the attainment of required desired education levels and job skills. Preparing the Latino workforce to meet the oncoming job-skills demands and elevating their educational attainment levels will be an important factor in the state’s economic and social development.
- Fuzzy Economic Identity – The State must expand and diversify its base of high tech industries to catch the ‘next new wave’ of technology jobs. Talent attraction and retention, nurturing intellectual facilities, and shift to high-value/high-wage jobs will be very important.
- Lost Stewardship – Arizona must identify, attract, and retain its political and business leadership, in a way that is most beneficial and makes best use of the existing and potential opportunities and challenges.
- The revenue sieve – The State’s tax system is obsolete and full of leaks. Over dependence on sales tax (which will eventually plateau) raises the question of local and statewide fiscal reforms that are best suited for a dynamic economy.

---

<sup>1</sup> Latino or Hispanics of all races account for 25.3 percent of the statewide population as per Census 2000. Approximately 82 percent of all Latinos in the state are of Mexican origin.

2. The Greater Phoenix Economic Council (GPEC): GPEC is in the process of preparing the Maricopa County region's first Comprehensive Economic Development Strategy. It is very important that the Economic Development Strategy prepared for the City of Mesa ties closely to the broad initiatives identified in this regional strategy in that Mesa is the second largest city in the region with the potential of high growth and addition of tremendous economic activity and value. The regional strategy identifies 8 specific initiatives.
  - a) Set priorities for business/industry cluster focus
  - b) Set specific targets for priority clusters
  - c) Increase R&D capacities and strengthen core capabilities across clusters
  - d) Develop specific strategies and plans to improve economic foundations
  - e) Upgrade priority clusters
  - f) Define metrics to measure progress
  - g) Develop an implementation plan that clarifies roles and accountabilities
  - h) Provide adequate funding

Note that these eight initiatives dovetail clearly with the seven components defined for the Mesa Strategy.

3. Other Sources: Other documents providing direction to the Citywide strategy include MAG reports, Labor Market Appraisal of Mesa (March 2000), Arizona School Boards Association reports, numerous other recent national and local publications, and forthcoming detailed 2000 Census data.